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**RELEVANCE OF CULTURE FOR STAKEHOLDER THEORY: AN  
ETHNOGRAPHIC EXAMINATION OF A SPORT EVENT IN  
TAIWAN**

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TAIWAN**

**by**

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## **Dedication**

To My Families:

Mom and Dad, who always support me for further academic accomplishment.

Chiang, you are always there for me when I am down.

My uncle, Chun-Chun, who always believes in me.

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# **RELEVANCE OF CULTURE FOR STAKEHOLDER THEORY: AN ETHNOGRAPHIC EXAMINATION OF A SPORT EVENT IN TAIWAN**

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Researchers who focus on strategic management and event management have used stakeholder theory to understand the relationships between a focal organization and its stakeholder. Nevertheless, achieving collaborative solutions can be difficult due to the widely varying values among actors as well as the influence of institutional forces such as legal or social norms. Furthermore, organizational, industrial, and national cultures in which these norms, values, morals, and ethics are embedded vary enormously. What varies culturally, however, is the perception of stakeholders and how a focal organization interacts with its stakeholders.

What has yet to be examined in depth, however, is the relevance of national culture on stakeholder theory and factors that facilitate or impede networking and alliance formation for and through events in different cultural setting. The main research objective of the study is therefore to re-examine the relationship and interactions between a sports event organization and its stakeholders in Chinese culture. By conducting an ethnography

study on a sport event company in Taiwan, this study attempted to perform a cultural configuration on the Western-developed stakeholder theory.

The methods of data collection in this ethnographic study include participant observation, interviews, field notes, event analysis, and document analysis. Thick descriptions with detail the patterns of culture and social relationships in this specific cultural context are generated. A thematic was performed and thirteen themes emerge. Eleven of them are related to *guanxi* and concepts of stakeholder theory. The other two are not directly related but unique to the context of this study, i.e., the sport industry in Chinese society. Themes related to *guanxi* and concepts of stakeholder theory fall broadly into four categories: managerial level, organizational level, inter-organizational level, and macro level.

The results suggest that Chinese culture does indeed have, at various levels, a profound influence on stakeholder theory. The finding of this study also indicates that the *guanxi*, *renqing*, and *mianzi* that embedded in Chinese culture could have a substantial influence on legitimacy, trust, and reciprocity that determine the way CEOs recognize and interact with their stakeholders. In conclusion, this study, coming from such an interpretivist viewpoint, uses an ethnographic approach to seek alternative and narrative accounts in a different national culture for stakeholder theory development. Lastly, limitations and recommendations for future studies are provided.

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## **Chapter 1: Introduction**

Literature on sports event management has acknowledged the importance of building cooperative relationships among diverse stakeholders of a sports event. Doing so helps an organizer acquire the necessary resources and support to pull off a successful event (Long, 2000; Lövendahl, 2000; Watt, 1998). Furthermore, a growing body of literature has also focused on identifying and exploring strategic leveraging potential so as to optimize desired outcomes from hosting a large-scale sports event (Chalip, 2004, 2006; Chalip & Leyns, 2002; Misener & Mason, 2006; O'Brien & Gardiner, 2006; O'Brien, 2006). As noted by Chalip (2004), leveraging to achieve favorable short- and long-term outcomes is best accomplished through the provision of networking opportunities among key event stakeholders. In other words, host organizations of large-scale sports' events must first realize that they have to work with many constituent groups to engender and maintain their support. They do this by considering and balancing the relevant interests of such groups (Anderson & Getz, 2007; Getz, 1997; Parent, 2008) and then followed by fostering of relationships among the stakeholders to facilitate partner engagement for further collaboration (O'Brien, 2006; Parvatiyar & Sheth, 2000).

In order to hold a successful sports event, organizers strive to build and maintain relationships with a number of stakeholders. They are obliged to do this to collect the necessary resources. Stakeholders may include sport governing bodies, sponsors, governments, the media, business partners, staff, shareholders, spectators, players, and local communities (Merrilees, Getz & O'Brien, 2005; O'Brien, 2006; Parent, 2008). During the process of collaboration, however, conflicts and tensions arise out of the

collection of diverse perspectives and interests; such conflicts are only exacerbated by the power imbalance among stakeholders.

According to Parent (2008), stakeholders' expectations, needs, and interests vary as the organizer goes through the different phases of the event. Gray (1989) indicated that there achieving collaborative solutions can be difficult. This can be due to the widely varying values among actors as well as the influence of institutional forces such as legal or social norms. Furthermore, organizational, industrial, and national cultures in which these norms, values, morals, and ethics are embedded vary enormously (Elmualim, 2007). Therefore, experts argue that it is necessary to adopt different approaches to managing relationships with stakeholders. Approaches might vary depending on the cultures of the organizations and sectors involved, or on the culture of the society at large (Elmualim, 2010).

Stakeholder theory (Freeman, 1984), which concerns the linkages between a focal organization and its stakeholders, has been considered an ideal theoretical foundation for organizational researchers to understand the collaborative networking that takes place between an event's organization and its stakeholders (Parent, 2008; Leopke & Parent, 2009). However, the majority of the literature on stakeholder theory has focused on only two levels of analysis: the managerial (Agle, Mitchell, & Sonnenfeld, 1999; Freeman, 1984; Mitchell, Agle, & Wood, 1997) and organizational (Jawahar & McLaughlin, 2001; Jones, Felps, & Bigley, 2007). Furthermore, it focused solely on Anglo-American organizations within Western cultural settings (Elmualim, 2010).

The literature that takes national culture into consideration usually treats national culture as a constant variable, failing to "consider the underlying structural linkages that

may exist between various stakeholders along with complex and deeply embedded processes that constitute stakeholders' materiality, identity and even forms of rationality" (Jones & Fleming, 2003, p. 433). In contrast, the literature that focuses on cross-cultural comparisons considers national culture an external variable, failing to examine the appropriateness of using Western theory to explain people's behaviors in non-Western cultures.

Stakeholder theorists, Freeman (1984) noted, are responsible not only for understanding stakeholders' issues but also for determining strategies for responding to stakeholders' needs and actions. What varies culturally, however, is the perception of stakeholders and how a focal organization interacts with its stakeholders. To a large extent, its norms, values, morals, and ethics that embedded in national culture guide managers in their deciding "who" ought to be considered stakeholders and what is a "right" or "wrong" action in relation to stakeholders (Donaldson & Preston, 1995; Freeman, 1984; Freeman & Miles, 2006).

Over the last forty years, scholars have used stakeholder theory to understand the relationships between a focal organization and its stakeholder. What has yet to be examined in depth, however, is the relevance of national culture for stakeholder theory (Elmualim, 2010). Further, still little is known about factors that facilitate or impede networking and alliance formation for and through events (Chalip, 2004). The gaps identified in event management and stakeholder theory literature reflect a need for more research in examining stakeholder theory in different cultural contexts. The gaps also show a need to better understand the implications of stakeholder management and event management in different cultural settings.

The main research objective of the study is therefore to re-examine the relationship and interactions between a sports event organization and its stakeholders in a non-Western context (i.e., Chinese culture). The study employs ethnography that allows researchers to explore and examine the meanings of social actions, beliefs, values, and norms within a specific culture. This study, by conducting ethnographic research in a sports event organization within Chinese culture, attempts to answer two questions:

- (1) What is the role of national culture in the development of stakeholder theory?
- (2) How does national culture (i.e., Chinese culture) affect the practice of stakeholder management in the context of sports organization at various levels?

By answering these two questions, the study attempts to provide a more holistic understanding of stakeholder theory through cultural exploration at a different level.

The ethnographic approach allows us to generate, by representing an insider's point of view, a more expansive understanding of cultural relevance for stakeholder theory. Thus we are able to detect the relevance of national culture on the process of recognizing, prioritizing, and interacting with stakeholders of a focal event organizer. Rather than considering national culture as a constant variable, this study brings its consideration back to the core of stakeholder theory development by re-examining the fundamental concepts of stakeholder theory in a new cultural light. Multiple levels of abstraction analysis further help us to connect those well-developed constructs of stakeholder theory and then put them together as a whole.

An ethnographic study in a sports event organization enables us to fully realize the challenges that face one who is hosting a large-scale sports event or trying to promote



sport in Chinese society. Moreover, an ethnographic study reveals how norms, beliefs, and values embedded in a national culture influence organizers as they develop relationships with their stakeholders for short-term impacts or long-term leveraging opportunities. In short, this study provides a cultural configuration for stakeholder theory by examining the theory's fundamental concepts in a non-Western national culture context. It contributes to event management literature by exhibiting the cultural variance in relationship development between event organizers and their stakeholders.

The following section provides an overview of the theoretical framework on stakeholder theory. It then reviews the literature concerning concepts of cultural research and offers an overview of Chinese culture and its influences on stakeholder theory development.

## **Chapter 2: Literature Review**

The literature review is divided into two parts. The first part focuses on the theoretical background of this study – stakeholder theory. The second part focuses on the cultural considerations of stakeholder theory. The first part provides an overview of stakeholder theory, including a brief history of its development, of different perspectives on it, and a definition of stakeholders. The first part also discusses different levels of influence on the way a manager recognizes, prioritizes, and interacts with his/her stakeholders. The second part begins by introducing the concept of culture and the different approaches employed in cultural studies. The second part then tries to elucidate the difference in worldviews of Western and Chinese cultures. Finally, the second part discusses the influence of Chinese culture on stakeholder theory.

### **STAKEHOLDER THEORY**

#### **Brief History of Stakeholder Theory**

In management literature, the use of the term “stakeholders” can be traced to the 1960s work of the Stanford Research Institute (now SRI International, Inc.; Freeman, 1984; Freeman, Harrison, Wicks, Parmar, & de Colle, 2010). Stakeholders originally represented the only group to whom management was held accountable. Stakeholders were defined as “those groups without whose support the organization would cease to exist” (Freeman, Harrison, Wicks, Parmar, & de Colle, 2010). The concept of stakeholder was then used as a metaphor to encourage a more inclusive approach to adapting to a turbulent business by incorporating wider perspectives (Amaeshi, 2010). Since then the stakeholder approach has spilled out of the strategic literature (Haselhoff, 1976; Taylor,

1971) into other areas, such as system theory (Ackoff, 1974; Trist, 1981), corporate social responsibility (Epstein, 1980; Hargreaves & Dauman, 1975), and organizational theory (Pfeffer & Salanick, 1978; Rhenman, 1968; Van de Van & Joyce, 1981). It took about 20 years for the stakeholder approach to crystallize. In 1984, Edward Freeman, in his classic – *Strategic Management: A Stakeholder Approach* – synthesized all the perspectives and articulated the stakeholder approach as a framework for strategic management (Freeman & McVee, 2001).

Freeman (1984) interpreted stakeholder management as the mechanism by which the voices of stakeholders and their links with the core objects of an organization are first recognized and then incorporated into the strategic-planning process. According to Freeman et al. (2010), stakeholder theory solves or reconceptualizes the following three problems and questions:

- (1) The problem of value creation and trade: How can a business be understood against the backdrop of environmental turbulence?
- (2) The problem of the ethics of capitalism: How can we understand both “business” and “ethics” so that we can put them together conceptually and practically?
- (3) The problem of managerial mindset: How can managers adopt a mindset that puts business and ethics together to make decisions on a routine basis?

Stakeholder theory suggests that by analyzing the relationships between a business and the groups and individuals who can affect or are affected by it, we are able to deal with these three problems (Freeman et al., 2010). Freeman et al. (2010, p. 60)

further articulated the underlying logical schemata of the stakeholder-management approach as proposed:

(1) No matter what you stand for, no matter what your ultimate purpose may be, you must take into account the effects of your actions on others, as well as their potential effects on you.

(2) Doing so means that you have to understand stakeholder behaviors, values, and backgrounds or contexts, including the societal context. To be successful over time it will be better to have a clear answer to the question, “What do we stand for?”

(3) There are a few well-defined ways to think about stakeholder management, or focal points, that can serve as answers to the question above or to the enterprise strategy.

(4) We need to understand how stakeholder relationships work at three levels of analysis: the rational, or “organization as a whole;” the process, or standard operating procedures; and the transactional or day-to-day bargaining.

(5) We can apply these ideas to think through new structures, processes, and business functions and we can especially rethink how the strategic-planning process works to take into account stakeholders.

(6) Stakeholder interests need to be balanced over time.

Stakeholder theory was introduced to address the underlying issue of the separation of business and ethics in the foundational disciplines of business. By examining stakeholders’ intrinsic values and incorporating them into the strategic-planning process, businesses are able to make better decisions by taking both business and ethical considerations into account and thus, equipping them to survive in turbulent environments.

## **Definition of Stakeholder**

Despite its popularity and proliferation since Freeman's (1984) formulation of it, the definition of "stakeholder" remains contested. This is due to distinct perspectives on the nature and level of analysis (Friedman & Miles, 2006). Some stakeholder theorists define stakeholder from a broad perspective, such as the most-cited definition of stakeholders given by Freeman (1984). He defined a stakeholder as "any individual or group who can affect or is affected by the actions, decisions, policies, practices or goals of the organization." Some researchers have defined stakeholder from a narrower perspective.

For example, Carroll (1993) defined stakeholders as "individuals or groups with which business interacts who have a 'stake', or vested interest, in the firm." Further, some definitions are driven by the understanding of the rights or interests of the stakeholder in the organization (Even & Freeman, 1998; Clarkson & Deck, 1993). On the other hand, other definitions focus on the interdependency among the focal organization and its stakeholders (Clarkson, 1995; Carroll, 1993; Mitchell et al., 1997).

Therefore, by integrating these three definitions, stakeholders can be defined as interdependent groups or individuals with intrinsic rights and various interests who can affect or be affected by the actions, decisions, policies, practices, or goals of the organization (Clarkson & Deck, 1993). The diverse interpretations of the stakeholder lead to multiple views and practices in terms of stakeholder theory in the management literature.

## **Different Perspectives of Stakeholder Theory**

Jones and Wicks (1999) indicated four essential premises of stakeholder theory. These included: (1) realizing the existence of relationships between the focal organization and its stakeholders, (2) the dynamic nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders, (3) the intrinsic value of each stakeholder, and (4) managerial decision making as a response by the organization or managers. Although the concept of stakeholder shares the same premises, due to a different theoretical paradigm it is generally theorized in the literature from three main perspectives: (1) descriptive, (2) instrumental, and (3) normative (Donaldson & Preston, 1995).

### ***Descriptive Perspective***

Based on positivism, the descriptive perspective is dedicated to describing actual behavior, in addition to looking for empirical evidence to test the propositions about the described behavior (Donaldson & Preston, 1995). Descriptive research in stakeholder theory aims at showing that theory corresponds to observed reality by highlighting the actual interactions between focal organizations and their stakeholders.

### ***Instrumental Perspective***

The instrumental perspective is underpinned by the functionalist paradigm of meeting stakeholder needs could be driven by instrumentalist goals and objects (Jones et al., 2007). This perspective focuses on identifying the certain outcomes or consequences that would be obtained if certain behaviors were adopted (Donaldson & Preston, 1995). Because of the instrumental orientation, Crane and Livesey (2003) argued that the voice of stakeholders is usually neglected by the focal organization during the process of

stakeholder-relationship formation. Furthermore, the process is characterized by a one-way communication and unequal balance of power.

### ***Normative Perspective***

Based on interpretivism, the normative perspective aims at seeking an alternative and a narrative that could guide business activities in more constructive ways. It does this by specifying what moral obligations stakeholder theory places on managers (Donaldson & Preston, 1995). The normative perspective of stakeholder theory is mainly prescribed as “who” ought to be considered stakeholders and the “rights” or “wrongs” of handling the relationships with stakeholders based on some underlying norms, values, or moral principles (Amaeshi, 2010). According to Freeman and Miles (2006):

Normative can refer to (1) the norms or standard practices of society as it exists; (2) the way one would live in an ideal “good” society; and (3) what we ought to do, either in order to achieve a good society or unconnected with any notion of the “good.” (p. 36)

Therefore, it is argued that stakeholder theory is fundamentally and originally rooted in norms, values, mores, and ethics. These exist in both the organization and society at large (Donaldson & Preston, 1995).

The three perspectives—descriptive, instrumental, and normative—have their own contribution to the development of stakeholder theory but, in isolation, also have limitations. For example, Jones and Wicks (1999) maintained that the descriptive perspective of stakeholder theory makes a great contribution to describing the nature of an organization’s stakeholders, their values, and their relative influence on decisions. It is insufficient, however, to either provide substantive prediction on organizational behavior

or to articulate the mechanisms of how predicted behavior occurs. Actually, the three perspectives of stakeholder theory are mutually supportive and rather nested, with the normative being the core, the descriptive perspective being an external shell, and the instrumental perspective being in the middle (Donaldson & Preston, 1995).

The external shell of the theory is its descriptive aspect; the theory presents and explains relationships that are observed in the external world. The theory's descriptive accuracy is supported, at the second level, by its instrumental and predictive value; if certain practices are carried out, then certain results will be obtained. The central core of the theory is, however, normative. The descriptive accuracy of the theory presumes that managers and other agents act as if all stakeholders' interests have intrinsic value. In turn, recognition of these ultimate moral values and obligations gives stakeholder management its fundamental normative base. (p. 74)

In order to maximize the contribution to both the practical and theoretical development of stakeholder theory, Jones and Wicks (1999) proposed a convergent stakeholder theory. This theory has a well-defended normative core and is capable of supporting instrumental arguments and descriptive illustrations to demonstrate its practicability.

Stakeholder theory is basically a theory about how business works, and how it could work to survive a turbulent environment by focusing on the relationships between a focal organization and its stakeholders. In short, its goals are to solve three problems: that of value creation and trade by showing how business can, in fact, be described through stakeholder relationships; that of the ethics of capitalism by showing how a business can be managed to fully account for its effects on and responsibilities towards stakeholders;



and that of the managerial mindset by adopting a practical way of putting business and ethics together that is implementable in the real world (Freeman et al., 2010).

The core of stakeholder theory is normative. The core consist of norms, values, ethics, and/or beliefs existing in the both organization and society. At the same time, however, it could be descriptive, instrumental, and normative (Donaldson & Preston, 1995). By considering the stakeholders' intrinsic interests and influence, the stakeholder perspective on organizing and managing is one of the major management paradigm shifts of the last century.

As noted by Rowley (1997), however, the real contribution of stakeholder theory is not to merely identifying the types of stakeholder influences. The real contribution is in examining how the focal organizations or managers respond to those influences. The concept of stakeholder salience has become a primary way for stakeholder theorists to understand the stakeholding behavior of managers or organizations. According to Mitchell et al. (1997), the stakeholder theory of management involves identifying and prioritizing stakeholder issues based on managerial perceptions of stakeholder salience. Therefore, stakeholder salience determines how managers respond to their stakeholders. The following section discusses the factors that, at various levels, influence stakeholder theory.

### **Different Levels of Influences on Stakeholder Theory**

This section provides a further review of the stakeholder theory in management literature, with an emphasis on its implications at the micro (managerial and organizational level), meso (inter-organizational level), and macro levels (national level).

### ***Managerial Level***

Voluntarism assumes that managerial decisions and actions are a substantial cause of the outcomes of firm activities (Freeman, 1984). Based on this notion, the literature of stakeholder theory from managerialist view emphasizes the centrality and dependency of managers on making stakeholder-related decisions (Donaldson & Preston, 1995; Freeman, 1984). The managerialist view on stakeholder management assumes that the organization/firm is just a nexus of the contract between stakeholders and managers; it is the manager's responsibility to make strategic decisions and allocate strategic resources to reconcile the divergent interests of stakeholder groups (Hill & Jones, 1992). Based on this assumption, stakeholder salience from a managerialist point of view means the degree to which managers give priority to competing stakeholder claims (Agle et al., 1999; Mitchell et al., 1997).

Mitchell et al. (1997) identified three variables of stakeholder salience: power, legitimacy, and urgency. Power accrues to those stakeholders who control resources needed by the firm (Pfeffer, 1981); legitimacy is acquired if patterns of organizational practice comply with prevailing norms and beliefs within the wider social system (Scott, 1995; Scott & Meyer, 1983; Powell & DiMaggio, 1991); and the urgency of a stakeholder is determined by the importance of the demand by a stakeholder and the sensitivity regarding the time available for managers to deal with it (Gago & Antolin, 2004). Further, Agle et al. (1999) explained that as “the stakeholder attributes of power, legitimacy, and urgency cumulate in the mind of a manager, selectivity is enhanced, intensity is increased, and higher salience of the stakeholder group is the likely result” (p. 509).

Based on Mitchell et al. (1997) and Agle's (1999) work, Amaeshi (2010) further summarized three common characteristics of stakeholder salience from the managerialist viewpoint: (1) managers are placed at the center of stakeholder management; (2) managers are framed and positioned as autonomous independent actors; (3) managerial perceptions on stakeholder salience (i.e., power, legitimacy, and urgency) are emphasized more than institutional influences. Stakeholder research has rested largely on voluntaristic assumptions about managerial choice. A few stakeholder researchers, however, who base their ideas on deterministic assumptions, have emphasized the role of external forces in influencing managers' behavior toward stakeholders.

Deterministic theories do not assume that managers of a firm can make decisions and actions to substantially influence the outcomes of a firm's activities. Instead, deterministic theories assume that the choices and decisions that managers can make are limited because the external environment often constrains managerial preference and practice. Mitchell, Agle, and Wood (1997) argued that the managers' actions are necessarily constrained because a firm is surrounded by a constellation of constituencies with different power and these surrounding actors within the network structure affect how a firm behaves toward them (Rowley, 1997). External constraints could play a crucial role in the making of managerial decisions. Nonetheless, stakeholder research must consider both the power of managerial action and the constraints and catalysts that stakeholders create for managers (Phillips, Berman, Elms, & Johnson-Cramer, 2011). To connect the gap between voluntaristic theories and deterministic theories, Philip et al. (2011) purposed a model that shone a light on the interaction of managerial discretion and stakeholder orientation to clarify the firm-stakeholder relationships.

The concept of managerial discretion, originally elaborated by Hambrick and Finkelstein (1987), is defined as latitude of managerial action. This concept bridges those theories in which managerial choices play a significant role and those in which they play a lesser role (Hambrick & Finkelstein, 1987). By incorporating different levels of discretion afforded managers, we are able to account more fully for environmental influences and constraints on managerial choice (Philip et al., 2011). Different firms or managers face different levels of external constraints, so a manager could possess more or less managerial discretion than another manager.

To define the managerial discretion between a firm and its stakeholders, Hambrick and Finkelstein (1987) coined the term of “zone of acceptance.” The authors assumed that every stakeholder has its own “zone of acceptance.” When a manager’s action lies outside this zone, he runs up against a constraint. A chief executive who has discretion must be aware of multiple courses of action that lie within the zone of acceptance of powerful stakeholders. Consider managers of a larger, highly regulated utility. Since there are few strategic options at their disposal, they will have lower managerial discretion. On the other hand, consider managers at a firm with a highly differentiated product competing in a rapidly growing market. Since there are more strategic options to choose, they may have higher managerial discretion. Managerial discretion provides a conceptual way to capture the constraints common to firms. It also allows researchers to compare firms by isolating the effect of external constraints as well as understand the moral challenges that a manager faces in managing stakeholder relationships.

The second concept that Philip et al. (2011) purposed is stakeholder orientation. The notion of stakeholder orientation (Berman, Wicks, Kotha & Jones, 1999; Hosseini & Brenner, 1992) can be defined as a manager's attitudes and actions towards stakeholders (Berman et al., 1999). The stakeholder orientation of a manager could be either instrumental or intrinsic. If instrumental, it views the stakeholder as a means. If intrinsic, it views the stakeholder as an ends. Stakeholder orientation is a predisposition on the part of the firm and its managers to acknowledge (or not) and engage with (or not) stakeholders (Philip et al., 2011).

This predisposition may originate in the values of a firm's CEO or reside in the overall cultural values and attitudes of the firm as a whole (Agle, Mitchell & Sonnefeld, 1999; Philip et al., 2011). They also contended that stakeholder orientation should be categorized according to the breadth of stakeholder claims recognized by a firm. At one extreme, a firm with narrow stakeholder discretion consistently privileges the interests of a single or a few stakeholders over the claims of other stakeholders. At the other extreme, a firm with broad orientations has numerous stakeholders who receive more consideration in a firm's decisions. It follows that a firm with broader stakeholder orientation may expend more resources on maintaining relationships with stakeholders; a firm with narrow orientation prefers to maximize the benefits of a single stakeholder group at the expense of the claims of other stakeholders (Philip et al., 2011).

Philip et al. (2011) used the concepts of stakeholder orientation and managerial discretion to explain firm-stakeholder relationships.

A firm's orientation toward its stakeholders determines how it will use the discretion accorded to it by external and internal circumstances. The interaction

between these two factors affects a firm's ability to create value in the short term and influences the level of discretion available to the firm in the long term. We argued that the interplay of discretion and orientation create a vicious (or virtuous) cycle, in which the firm either creates or destroys goodwill with stakeholders, thereby making it more or less likely that stakeholders will grant discretion in the future. This argument suggests an account of stakeholder management that is sensitive to variation in managerial discretion, an account that is more constrained than typical moral and instrumental prescriptions about how firms should treat stakeholders and less constrained than descriptions premised on more deterministic theories (Philip et al., 2011, p. 164 ).

Philip et al. (2011) argued that a firm with high discretion and broad orientation would not only generate the most value but would, over time, lead to increased managerial discretion. In this state, managers are likely to feel driven to attend to stakeholders as intrinsically valuable and to be willing to share with stakeholders the allocation of value created by the firm. In this situation, firms with broader stakeholder orientation interact with its stakeholders in ways that allow firms to capture the full benefits of trust and fair dealing (Calton & Lad, 1995). Even when the managers take actions that stakeholders disagree with, they try to avoid the penalties associated with opportunism and dishonesty by consistently in the long run privileging various stakeholders (Jones, 1995). Further, the aggregated trust and great feeling of fairness between a firm and its stakeholders leads to high future discretion. This virtuous cycle represents an on-going commitment to a broad stakeholder orientation that engenders on-going favorable perceptions among stakeholders (Philip et al., 2011).

In short, stakeholder theory at the managerial level emphasizes the centrality of the role of managers and their attitudes toward stakeholders. Factors contribute to the

influence of stakeholder salience has also becoming focal points of interest for stakeholder theorists. However, some researchers believe that external constraints should be considered as a crucial factor in a manager's choices and actions. Thus, the concepts of managerial discretion and stakeholder orientation were introduced to understand the relationships between a firm and its stakeholders when under the influence of external constraints. A firm's orientation toward its stakeholders determines how it will use the discretion accorded to it by external and internal circumstances (Philip et al., 2010).

### ***Organizational Level***

The organization-level theorization of stakeholder salience emphasizes the role of organizational context. For example, it scrutinizes stakeholder culture (Jones et al., 2007) and the organizational life cycle (Jawahar & McLaughlin, 2001). Based on resource dependence theory (Pfeffer & Salancik, 1978), Jawahar and McLaughlin (2001) argued that without any constraints managers are unable to make strategic decisions. One of these constraints is where the organization is in its life-cycle development. Is it a start-up or in a phase of emerging growth, maturity, or revival. As the organization evolves, the relative salience of stakeholders will change and organizations must adopt different strategies to deal with the changes (Jawahar & McLaughlin, 2001).

In the context of major sporting events, Parent (2010) also examined how the decision-making process changes as a major sporting event's organizing committee moves from mode to mode—from planning to implementation to wrap up. The model of decision-making changes as the importance of the time, context, and resources' parameters change.

Jones et al. (2007), on the other hand, challenged the autonomy of the roles of managers, roles assumed to exist by the managerialist view of stakeholder salience. Jones et al. (2007) argued that “managers are often profoundly influenced by organizational context in which they are embedded ... identifying factors at organizational level could help us predict how firms manage stakeholder relationships” (p. 137). Stakeholder culture was introduced as an important organizational-level factor that “profoundly influence[s] the way in which managers understand, prioritize, and respond to stakeholder issues and, as an example, how they establish stakeholder salience” (Jones et al., 2007, pp. 140–141). Jones et al. (2007) defined stakeholder culture as “the beliefs, values, and practices that have evolved for solving stakeholder-related problems and otherwise managing relationships with stakeholders” (p. 142).

Thus, stakeholder culture can be seen as a central facet of organizational culture or of the organizational memory. This holds a clue as to how, in the past, organizations resolved the moral tensions between self-interest and other-regarding interests (Amaeshi, 2010). Managerial stakeholder-related decisions, according to Jones et al. (2007), are influenced by stakeholder culture in two related ways:

“(1) by constituting a common interpretive frame on the basis of which information about stakeholder attributes and issues is collected, screened, and evaluated and (2) by motivating behaviors and practices – and, by extension, organizational routines – that preserve, enhance, or otherwise support the organization’s culture.” (p. 143)

Jones et al. (2007) came up with five categories of stakeholder cultures. These are based on a continuum of concern for others, a continuum that runs from self-regarding to other-



regarding. Jones et al. (2007) designated for these categories three typologies: amoral (i.e., agency culture or managerial egoism), limited morality (i.e., corporate egoism and instrumentalism), and broad morality (i.e., morality and altruism).

If we apply the concepts of stakeholder theory to event management, both event planners and event researchers will benefit. Both parties would gain a better understanding of the relationships between the host organization and its stakeholders. Few studies, however, have truly employed stakeholder theory to examine the relationships between the sports organization and its stakeholders (Merrilees et al., 2005; Parent, 2008). Parent (2008) employed stakeholder theory and issue management to describe the evolution of a sporting event from its planning mode to its implementation to its wrap up. Parent (2008) identified in total thirteen issue categories that a host organization faces throughout the three modes. Parent (2008) concluded that as an organizing committee goes through these modes, the competing interests and issues will transform. Further, as different levels and types of stakeholders become involved, the organizing-committee members' hierarchical levels and roles will also change.

In addition, Merrilees, Getz, and O'Brien (2005) adopted a case-study approach to develop a stakeholder-based theoretical model of event marketing. The authors indicated that there was a strong interdependency between the host organization and its stakeholders, and person-to-person communication emerged as an important means to maintain strong stakeholder relationships.

In short, exposition of the stakeholder theory in the literature has mainly been at the micro level. This tendency is a result of Freeman's (1984) early conceptualization of it. The two perspectives—the managerialist and organizational—offer quite different

interpretations. The managerialist view emphasizes the centrality of managers in stakeholder-related decisions; it underscores the influence of power, legitimacy, and urgency on stakeholder salience. The organizational view places at the center of stakeholder management the firm itself, from which power is exercised and legitimacy maintained. As for drivers of corporate stakeholder salience, the organizational view also emphasizes stakeholder culture (Jones et al., 2007) and an organization's life cycle (Jawahar & McLaughlin, 2001).

Both perspectives link stakeholder salience to legitimacy, an attribute and reflection of the wider social system (Powell & DiMaggio, 1991; Scott 1987). Nevertheless, this institutional dimension of stakeholder salience seems to not be given due emphasis. Neither perspective accounts for how the wider social system enables and/or constrains corporate stakeholder-salience decisions (Amaeshi, 2010). Stakeholder theory is mainly being developed in the literature at the managerial and organizational levels. However, in the broader domain of strategic alliance and social sciences, organizational behavior is being studied more at the meso and macro levels.

### ***Meso Level (Inter-Organizational Level)***

Theorization of stakeholder management at the meso level highlights, within a network structure, the dynamic inter-organizational relationships among a focal organization and its stakeholders (Rowley, 1997). Organizations form inter-organizational relationships to acquire necessary resources or to perform specific tasks, tasks they cannot carry out acting alone. Baum and Oliver (1991) argued that as the intensity of competition increases a significant survival advantage becomes apparent in organizations with stronger inter-organizational relationships. This kind of collaboration

among stakeholders to achieve mutual goals is called a strategic alliance. A strategic alliance refers to “any voluntarily initiated cooperative agreement that involves exchange, sharing, or co-development, and it can include contributions by partners of capital, technology, or firm-specific assets” (Gulati, 1999, p. 397). When organizations form a strategic alliance they enhance their access to resources and reduce environmental uncertainty. These cooperative arrangements seek to achieve better organizational objectives through collaboration rather than through competition (Todeva & Knoke, 2005). Thus, the basic idea behind the strategic alliance is that effective collaboration can make organizations more competitive. Thus, the intensity of industry competition and the perception of cooperation serve as important factors influencing strategic-alliance formation.

Another crucial factor in the pursuit of a strategic alliance has been identified as institutional legitimacy. Institutional theory (DiMaggio & Powell, 1983; Hirsch, 1975; Meyer & Rowan, 1977) suggests that institutional environments impose pressures on organizations to justify their activities or outputs. These pressures motivate organizations to increase their legitimacy, thereby appearing to be in agreement with the prevailing norms, rules, beliefs, or expectations of external constituents. According to Oliver (1990), “the establishment of inter-organizational relationships for purposes of increasing legitimacy can originate from an organization’s motives to demonstrate or improve its reputation, image, prestige, or congruence with prevailing norms in its institutional environment” (p. 246). Slack and Hinings (1992) also highlighted how important institutional pressures such as legitimacy are regarding organizational change in amateur sport organizations.

By demonstrating conformity to the institutional environment, a dependent organization demonstrates that it is acting on a collectively valued purpose in a proper manner, and by doing so is able to increase its chances of being positively evaluated and ensure a continued flow of necessary resources. (p. 124)

Also playing important roles in the process of strategic-alliance formation and implementation are norms of trust and reciprocity. Trust between organizations refers to the confidence level that one partner will not exploit the vulnerabilities of the other (Barney & Hansen, 1994). It has been argued that organizations, like individuals, enter into embedded ties with one another that are characterized by trust and rich information exchange across organizational boundaries (Dore, 1983; Eccles, 1981; Powell, 1990). Further, trust serves as a crucial form of corporate social capital. This type of capital is important in overcoming awkwardness and potential conflicts as partners attempt to transform their plans into practice. Through ongoing and repeated interactions, organizations not only learn a great deal about each other but may also develop trust around norms of equity, or “knowledge-based trust” (Shapiro, Sheppard, & Cheraskin, 1992). Thus, trust can create “self-enforcing” safeguards in an exchange relationship and thus substitute for contractual safeguards (Bradach & Eccles, 1989; Powell, 1990). When trust is demonstrated, appropriation concerns are likely to be mitigated. As a result, organizations may choose not to rely on detailed contracts to ensure predictability.

The norm of reciprocity, on the other hand, represents the desire to pursue common or mutually beneficial goals or interests (Oliver, 1990). Reciprocity is a norm that requires a return in kind of a good or service rendered (Gouldner, 1960). According to Oliver (1990), a strategic alliance based on reciprocity is characterized by cooperation,

collaboration, and coordination among organizations. Such a strategic alliance occurs so as to pursue common or mutually beneficial goals or interests.

To understand inter-organizational relationships based on reciprocity contingencies, we must consider three underlying assumptions (Oliver, 1990). First, resource scarcity may induce cooperation rather than competition (Aiken & Hage, 1968; Molnar, 1978; Schermerhorn, 1981). Second, the process of linkage formation will typically be characterized by balance, harmony, equity, and mutual support; coercion, conflict, and domination are absent. Finally, potential partners in this type of exchange anticipate that the benefits of forming a linkage far exceed its disadvantages including the loss of decision-making latitude and the cost of managing the linkage (Provan, 1984).

Finally, factoring into the process of strategic-alliance formation and implementation is asymmetric power. This is where the “desire for control and the reluctance to relinquish control reflect asymmetrical motives in an organization’s decision to interact” (Oliver, 1990, p. 244). This notion stands in contrast to the proposition that resource scarcity motivates organizations to cooperate with one another (Aiken & Hage, 1968; Molnar, 1978). Indeed, a power approach to explaining inter-organizational relationships suggests that resource scarcity prompts organizations to try exerting power, influence, or control over organizations that possess the required scarce resources (Oliver, 1990).

Inter-organizational power can be viewed from four perspectives: being a function of the organization’s size, the extent to which an organization controls the rules governing the exchange of resources, the effectiveness of its coercive strategies, and the concentration of organizational inputs (Inkpen & Beamish, 1997). Thus, from an

asymmetric power point of view, the interconnected environments within which organizations operate are assumed to represent political or negotiated arenas. These spaces are characterized by injustice, information distortion, manipulation, exploitation, coercion, inequality, and/or conflict (Oliver, 1990).

The literature on event management has also identified conflicts and tensions within the process of collaboration. Such conflicts stem from the asymmetric power among stakeholders representing different sectors. Bramwell and Sherman (1999) noticed the unbalanced relationship among key actors and they found that stakeholders with resources have the power to influence destination-planning processes. De Medeiros de Araujo and Bramwell (2002) identified that public actors are usually active stakeholders who dominate the planning process so the involvement of the private sector is limited. To solve the problem caused by asymmetric power, Anderson and Getz (2007) recommended that different magnitudes of divergent strategies are needed to deal with powerful and weak stakeholders.

In trying to understand the interactions between an entrepreneur and its stakeholders, Douglas and Jeffrey (2011) challenged the fundamental assumption concerning pure self-interest. Based on pure self-interest assumption, the rational decision of a manager is to maximize each transition without considering the interests of the stakeholders. They contended that the self-interest assumption overlooks subtle aspects of humanity and society that affect competitive market behaviors (Keen, 2002). The authors proposed that how an entrepreneur establishes and manages relationships with resource-providing stakeholders is better explained by the assumption of bounded self-interest. Bounded self-interest means actors' self-regarding behavior is bounded by

norms of fairness. Self-interest is bounded because while people are motivated by the pursuit of personal pleasure and the avoidance of personal pain, this motivation reaches its boundary when it begins to violate their perceptions of what is fair (Douglas & Jeffrey, 2011). In many competitive market conditions, when people experience something better (worse) than they expected, they positively (negatively) reciprocate toward other actors (Fehr & Gächter, 2000).

Stakeholders' reciprocal behavior is influenced, according to organizational justice, by three types of fairness: distributive, procedural, and interactional (Bosse, Phillips, & Harrison, 2009). Distributive fairness refers to whether the distribution of material outcomes to the entrepreneur and the network of stakeholders is justified by a specific stakeholder (Rabin, 1993; Nelson, 2001). Procedural fairness refers to whether a stakeholder believes the decision-making process is fair (Lind & Tyler, 1988; Phillips, Freeman, & Wicks, 2003). Finally, interactional fairness refers to whether the entrepreneur treats stakeholders with respect and dignity or rudely and dismissively (Cropanzano, Bowen, & Gilliland, 2007).

Douglas and Jeffrey (2011) further argued that when concerns about how distributive, procedural, and interactional fairness affect the competitive behavior of entrepreneurs and stakeholders, rent must refer to compensation that is both material and nonmaterial. The nonmaterial compensation comes from the way the actor is treated by partners within an exchange network (Ekeh, 1974). This may be manifested in better information, more voice in decision making, or better treatment during exchanges. Douglas and Jeffrey (2011) further examined three fundamental propositions regarding

the creation of entrepreneur rent under the assumption of pure self-interest. Based on an assumption of bounded self-interest, they derived three revised propositions.

First, based on a bounded self-interest assumption, entrepreneurs and stakeholders will choose to engage with actors whose expectations—complementary to their own—are of distributive, procedural, and interactional fairness. They will do this rather than merely look for the lowest cost of exchanging resources, a path reflecting an assumption of pure self-interest (Douglas & Jeffrey, 2011). The second foundational proposition they challenged concerned what entrepreneurs offer prospective stakeholders to generate more rent. To engage with its stakeholders, entrepreneurs operating out of pure self-interest will offer only minimum material value. This could be more costly, however, under the assumption that pure self-interest offers the least possible material value while ignoring the value of procedural and interactional fairness could set in motion negative reciprocity from a stakeholder. If, on the other hand, entrepreneurs offer stakeholders positive procedural and interactive fairness, stakeholders might lower prices to engage even if they are uncertain about the material value of the exchange (Douglas & Jeffrey, 2011).

This last proposition concerned willingness to share information with stakeholders. The pure self-interest assumption leads to the idea that entrepreneurs should withhold positive information about the success of a venture to prevent stakeholders from attempting to appropriate more of the created value (Douglas & Jeffrey, 2011). While shifting to the bounded self-interest assumption both entrepreneur and its stakeholders are more open to sharing information about performance outcome and are willing to renegotiate fairer contracts.



Douglas and Jeffrey (2011) also emphasized, under the assumption of bounded self-interest, the importance of the entrepreneur's reputation. A reputation for being fair could facilitate the acquisition of resources and reduce material costs (Barney & Hansen, 1994). A reputation for not being fair could hinder that acquisition while raising material costs (Zahra, Yavuz, & Ucbasaran, 2006). Douglas and Jeffrey (2011) also suggested that to ascertain the decision-making processes of entrepreneurs and stakeholders during and after venture formation researchers should employ in-depth studies (case studies or surveys) that examined fairness issues. Thus, we also need to rethink the fundamental assumption of stakeholder theory from pure self-interest to bounded self-interest. Rather than merely focusing on the material value during the value exchange process, we need to more fully understand the important role played by nonmaterial values such as fairness and reciprocity.

### ***Macro Level***

If we follow the normative underpinnings of stakeholder theory, we should expect stakeholder salience to differ according to industry and country. Organizations are, according to institutional theory (Powell & DiMaggio, 1991; Scott & Meyer, 1983; Whitley, 1998), products of their external environments. These environments are “characterized by the elaboration of rules and requirements to which individual organizations must conform if they are to receive support and legitimacy” (Scott & Meyer, 1983, p. 149). Morgan (2001) makes this clear.

Institutionalist tradition of research that emphasizes that the way in which economic activities are coordinated and controlled (between holders of capital and managers, between managers and employees) is crucially affected by national

institutional contexts. . . . These contexts (of the financial system, the political system, the educational and training system and the cultural system) set the rules of the game embedded in specific historically emergent social practices such as how capital is made available to entrepreneurs and firms, the types of skills and knowledge possessed by managers and workers, and the mechanisms of coordination and control utilized by managers. (p. 114)

Kondra and Hinings (1998) further argued that organizations within an organizational field may conform to these rules and requirements—not necessarily for reasons of efficiency, but rather for increasing their legitimacy, resources, and survival capabilities (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). By conforming to those norms, the organization will increase its survival capabilities, thereby minimizing the risk of organizational death (Baum & Oliver, 1991). As a result, value and belief systems external to the organization such as institutional or national culture play a significant role in determining organizational norms (Ameashi, 2010).

There is a small but emerging body of literature on variations of stakeholder-management practice and ethical issues across national institutional contexts (Robertson, Crittenden, Brady, & Hoffman, 1995; Schlegelmilch & Robertson, 1995; Thelen & Zhuplev, 2001). Thelen and Zhuplev (2001) presented a comparative analysis of attitudes between Russian and U.S. undergraduate students. They compared their attitudes regarding ethical issues that arise in managing Russian small firms engaged in business transactions with U.S. firms. The findings indicated that Russians tend to prefer more forceful decision alternatives, resorting to business practices that would be considered unethical in the United States. This is attributable to differences in the countries' history,

political, legal, and cultural environments. The transitional nature of the Russian economy affects decision making and business ethics.

Robertson et al. (2002) also surveyed 210 financial services' managers from Australia, Chile, Ecuador, and the United States about their ethical beliefs when faced with four diverse dilemmas. In addition, the situational context was altered so the respondent viewed each dilemma from a top management position and from a position of economic hardship. Results suggested that when individuals make ethical judgments a complex interaction of situation, culture, and issue come into play. These studies showed that stakeholder-management practices are not only determined by managerial or organizational rationality but are also constrained and enabled by their institutional configurations and sociocultural conditions (Amable, 2003; Crouch, 2005; DiMaggio & Powell, 1983; Hall & Soskice, 2001). However, since we realize the variations of stakeholder-management practice and ethical issues across national institutional contexts, more studies are needed to explore the how the national culture influences stakeholder theory development and practices in multiple levels of analysis.

In summary, stakeholder salience, as a matter of managerial perceptions, may in fact be a reality constructed over time rather than an objective reality (Agle et al., 1999). If so, it could be argued that these constructions are likely to draw from (or are functions of) the broader social constructions within the institutional or cultural contexts in which the managerial perceptions are crafted and enacted (Amaeshi, 2010). Further, legitimacy is a function of social context (Suchman, 1995) and "bounded by cultural norms and behavior" (Agle et al., 1999). Moreover, the way that a manager chooses to interact with his stakeholders is also influenced by the social norms and values that determined the

rules and behaviors during the exchange process. Therefore stakeholder salience and interactions are not only shaped by managerial or organizational influences. They also carry implications in a series of multilevel influences varying between the micro, meso, and macro levels.

It is thus believed that depending on the cultures of the organization, industry, or society at large, different approaches to stakeholder management will come into being. However, most of the literature is focused solely on Anglo-American organizations in Western settings. Moreover, the conceptualization of stakeholder theory, including cultural conceptualization itself, also appears to be culture-bound within Western culture (Boyacigiller & Adler, 1991).

Other cultures such as the Chinese, with its substantively indigenous philosophical inheritance, might challenge the fundamental assumptions of stakeholder theory. Such a challenge could yield valuable insights. Alon (2003) argued that because of specific elements of Chinese culture Westerners must substantially adjust their way of thinking about management. Thus, the following section briefly introduces the concepts of culture and issues in cultural research. It then discusses how Chinese culture could affect the development and practice of the stakeholder theory.

## **CULTURAL RELEVANCE**

The second part of the literature review focuses on the relevance of culture, especially Chinese culture, for the development of stakeholder theory. What is culture and how is it studied? A brief introduction addressing these questions is here provided.

## **What Is Culture?**

Culture has subtly complex shades of meaning (Hofstede, 2001). The term culture may be defined in different ways. Hofstede (2001) defined culture as a collection of systems of representations, meanings, beliefs, and other ideological variations among particular social groups. Geertz (1973) simply defined culture as a system of shared symbols. Sapir (1924) described it in this way:

Culture embraces in a single term those general attitudes, view of life, and specific manifestations of civilization that give a particular people its distinctive place in the world. Emphasis is put not so much on what is done and believed by a people as on how what is done and believed functions in the whole life of that people, on what significance it has for them. (pp. 311–312)

Culture has also been defined as the total way of life of a group and the learned behavior that is socially constructed and transmitted (Wolf, 2007). The differences in definitions illustrate important assumptions about what to study when analyzing culture. Smircich's (1983) distinction between studies of culture as a metaphor and studies of culture as a variable provides an ideal place for defining culture. These two approaches indicate the richness and diversity in how one can study culture.

## **Culture As a Variable**

Assuming a functionalist viewpoint, the culture-as-a-variable approach focuses on causality. Culture is thought to be able to cause and thus predict certain outcomes. There are two lines of inquiry within the variable approach: the internal and the external variables. Consultants and researchers who treat culture as an internal variable are interested in exploring aspects of culture (e.g., values, norms, beliefs, structures) that predict organizational performance and effectiveness (Collins, 2001; Deal & Kennedy,

1982; Peters & Waterman, 1982). In comparative or cross-cultural management research, on the other hand, culture is usually treated as an external variable. As such, culture is seen as a map for navigating differences across organizations and differences between national cultures (Driskill & Brenton, 2005). The classic example in this instance is Hofstede's (2001) five variations of individual behavior across the globe (i.e. power distance, uncertainty avoidance, individualism versus collectivism, masculinity versus femininity, and long-term versus short-term).

### **Culture As a Root Metaphor**

Culture studies that eschew functionalism generally prefer a symbolic approach (Alvesson & Berg, 1992; Schultz & Hatch, 1996). These studies focus on the symbolic meanings associated with cultural forms such as ritual and physical arrangement. Studies that take culture as a root metaphor are process oriented and emphasize understanding how culture is created and how culture affects the members who are part of it. Therefore, the end product of the culture-as-a-metaphor approach is a description rather than a set of cause–effect variables. There are three major research traditions within the root metaphor approach (Driskill & Brenton, 2005, p. 30):

- (1) Culture as shared cognition. In this tradition, the beliefs or assumptions of the members of the culture are the focus of the inquiry (Harris, 1979; Schall, 1983). Researchers examine how employees think and what patterns of logic are shared among members. Researchers, for example, might describe assumptive differences between members of the same organization who come from different national cultures (Driskill & Downs, 1995).

(2) Culture as systems of shared symbols. The research focuses on the actual language, non-verbals, and other organizational symbols (Geertz, 1973; Smircich, 1993). Researchers might observe and record interaction patterns to understand and describe the way members use language to manage conflicts or build friendships (Driskill & Meyer, 1994).

(3) Culture as the expression of the unconscious process. This focus involves an exploration of the way symbols reflect underlying beliefs and assumptions of the members. Such research might explore the deeper unconscious meaning of a common metaphor used in the organization or on the underlying archetype that predominates the lives of the members (Jung, 1964; Levi-Strauss, 1967).

In short, the internal-variable approach assumes that culture is one element of an organization. It assumes that organizational performance or effectiveness can be predicted by using knowledge of culture. The external-variable approach assumes that culture—say the norms of different national cultures—is a constant force outside the organization. In contrast, the root-metaphor approach assumes that the organization *is* the culture. Therefore, depending on how culture is defined, various aspects of the culture ought to be explored (Driskill & Brenton, 2005).

So which way is better for understanding the influence of Chinese culture on the practice and development of stakeholder theory? It is argued that positivist approaches in social science, such as the internal-variable and external-variable approaches discussed above, examine the social world only from an outside perspective and only by focusing on observable phenomena that can be measured “objectively” (Ames, & Lickel, 1999; Evered & Louis, 1981; Morris, Leung, Ames, & Lickel, 1999). If, however, we want to

explore the normative and cultural issues in the development of stakeholder theory, one thing is unavoidable. That is, we have to denaturalize the object of study and address the focal actors as subjects with their own values, interests, interpretations, and worldviews (Scherer & Patzer, 2011). In order to view and interpret the social world from the standpoint of the focal actors, it is necessary for the researcher to change the perspective from an objective observer to a participator and to learn focal actors' values, interests, and interpretations through first-hand communication (Scherer & Dowling, 1995; Habermas, 1990). If one is to develop an indigenous approach to understanding the influence of Chinese culture on the development of stakeholder theory, one must incorporate the Chinese worldview.

Alon (2003) argued that specific elements of Chinese culture make necessary substantial adjustments to the Western way of thinking about management. Lowe (2003) identified the manifestations and consequences of the structural–functionalist hegemony in Western culture and examined the uniqueness of Chinese culture. In doing so, Lowe (2003) challenged the appropriateness of Western theories in explaining Chinese behavior. According to Lowe (2003), the management agenda has been dominated by the meta-narrative of scientism and its accompanying scientific assumption of metaphysical truth, bivalence, and atomized explanations, explanations embedded in the ethnocentric, rationalist, “culture-bound” Western-view.

The theories of management that emerge from Western paradigms, according to Lowe (2003), reduce the value of culture to a “foundational” value. He further maintained that functionalism is culture-bound in Western culture. So Lowe thought cross-cultural functionalism to be “an ethnocentric social science paradigm that



subjectively examines culture from a Western worldview under the guise of culture-free objectivity” (p. 5). Lowe (2003) suggested that researchers of Chinese culture and management cultivate a more culturally relevant agenda and develop research approaches and measurements less embedded in Western ethnocentrism. If we follow his suggestion and develop an indigenous approach, we must incorporate a Chinese worldview.

### **Chinese Worldview and Culture**

The Western worldview derived from scientific rationalism explains the universe using a “bivalent filter” (Kosko, 1994) of mathematical-truth claims derived from Aristotelian binary logic.

This bivalent ideology atomizes the world by reducing facts about mechanistic elements to the bivalent true or false. The universe is explained by reduction to the substance of its smallest parts or objects, which is explained through binary logic. These explanations of substance are then pooled as components to build grander, nomothetic theories about the nature of the universe. (Lowe, 2003, p. 6)

The Chinese worldview, however, is derived from Taoism. Taoism emphasizes social phenomena as multilevel “living” systems organized in hierarchies of complexity and involving a self-organizing “consciousness” (Lowe, 2003). The Eastern archetype can be described as favoring an aesthetic rather than scientific construction (Lessem & Palsule, 1997). It does not seek an absolute truth. An aesthetic construction is oriented toward virtue, which refers to action that is determined not by a rationalist identification of what is “true” and proven, but by a nominalist consensus about what is acceptable and what “we” can work with.

The wisdom of virtuous leadership lies in its humanistic capacity to harmonize the imagination of the family, group, clan, or nation (Lowe, 2003). Western rationalism is wedded to bivalent either–or antinomies, to black-and-white linear reductionism. Taoism, in contrast, “involves a multivalent or plurivalent, multivalued, fuzzy ‘shade of gray’ and nonlinear worldview that sees contradiction and paradox as normal, experiential, and valuably coherent common sense” (Lowe, 2003, p. 7). Under the influence of Taoism, Chinese organizational forms and management styles characteristically involve a diffuse network structure and roles with flexible goals and qualitative judgment. These are substantively different from the scientific organization that the West has traditionally adopted (Lessem & Palsule, 1997). Aesthetic Chinese management styles rely heavily on relationships and informality, with “fuzzy” accountability and an authority based on trust (Lowe, 2003). Besides Taoism’s philosophical influence, China’s 2000-year-old social structure reinforces the importance of relationships and informality in Chinese culture.

How did a centralized political authority emerge in the development of China’s early civilization? Wittfogel (1956) explained how with a model of oriental despotism, arguing the centralized state could govern through large-scale irrigation control. To secure total power and dominance, the imperial bureaucratic state provided no ground for individual property rights and no basis for autonomous civic associations. Without powerful civic associations (such as religious groups, non-profit organizations, or non-governmental organizations), a civic society was non-existent and civilians could only depend on families or patriarchal clans for limited resources and support. In order to survive, the individual not only had to build as many relationships (quantity) as possible but also, when a situation called for it, transform ordinary relationships into family-like

relationships (quality). Furthermore, if an individual wants to acquire an unattainable resource, the best way to do so is to build intimate relationships with the imperial family or with powerful figures in centralized states; this is also the best way to elevate one's social status (Chang, 2011).

### ***Relationships in Chinese Culture***

The concept of relationships is the central theme of Confucianism. How to maintain harmony relationships in a highly hierarchy society is emphasized. An individual in Chinese society carries different duties arising from the different social status one held in relation to others. The importance of relationships in Chinese culture is evidenced in the five cardinal relationships. These are ruler–subject, father–son, elder brother–younger brother, husband–wife, and friend–friend relationships. The ruler–subject relationship symbolized the importance of loyalty in Chinese despotism. While the ruler has the responsibility to take care of his subjects the subjects also obey the ruler. The fathers-son is considered as the most stable, strong, and lasting relationship of the five cardinal relationships. According to traditional Chinese concepts, only son has the responsibility to take care the family while daughter is worthless because she will join other family after marriage. Thus, sons won most parents' love, and have higher position than daughters in the family. Further, the father-son relationship could expand to the relationship between elder generation and young generation. The younger generation should show his/her respect to the elders in the society.

The elder brother-younger brother relationship represents the inherent higher status of someone who is senior in age, experience, and therefore, presumably, wisdom. In other words, this kind of relationship is not restricted only to blood brothers. It can be

an extension of senior friend–junior friend relationship in the group, organization, and society. The husband–wife relationships again reflects the unequal social status of men and women because marriage in ancient Chinese society did not signify the formation of a new family. Instead, marriage signified the extension of an existing family, namely, the husband’s family. Therefore, there are only absolute obligations for a wife to practice in marriage, such as obedience towards her husband as well as her parents-in-law. Lastly, the senior friend–junior friend relationship represents the friendship based on mutual trust and faithfulness between two individuals without any blood bond. Three of these five cardinal relationships including father-son, husband-wife, and elder brother–younger brother were designed for regulating the interpersonal relationships within the family. The other two relationships, ruler-subject and friends, are mix tied relations. It should be noted that, except for the relationship between friends, the other four relationships are vertical ones between superiors and inferiors (Hwang, 2012).

Based on the five cardinal relationships individuals in Chinese society are held to simultaneously stand in various types and degrees of relationships with different people in their daily life. For example, the son serves as an inferior role in relation to their parents and elders while elders serve as a superior role in relation to their children, younger siblings, or students. While inferiors are considered in Confucianism to owe strong duties of reverence and service to their superiors, superiors also have duties of benevolence and concern toward inferiors. This theme consistently manifests itself in many aspects of East Asian culture even to this day, with extensive filial duties on the part of children toward parents and elders, and great concern of parents toward their children (Ko, 2008). The literature focusing on relationships in Chinese culture often

reference outgrowths of these relations with three important terms: *guanxi*, *mianzi*, and *renqing* to explain the way people interacting with each other different types and levels of relationships in Chinese culture.

### ***Guanxi***

A prevalence and ubiquitous product of Chinese culture, *guanxi* is a response to the institutional framework (highly hierarchical system) and the presence of administrative control (Davies, Leung, Luk, & Wang, 2003). It is the basis of personal trust. The word *guanxi* consists of the characters representing *guan* and *xi*. *Guan*'s originally meaning is door, with the extended meaning *to close up* (Ambler, 1995; Luo, 1997a) or *to establish a gate pass* (Yeung & Tung, 1996). *Xi* means *to tie up* (Ambler, 1995; Luo, 1997a) or *to connect* (Yeung & Tung, 1996). To describe the concept of *guanxi*, Amber (1995) described a sand bar at a harbor entrance. Within the confines of the sand bar, "you" are one of "us," but outside it "you" are barely recognized.

In general, *guanxi* refers to a connection between two individuals that enables a bidirectional flow of personal favors or social transition (Yeung & Tung, 1996; Luo, 1997a). *Guanxi* should not be seen an organizational asset but as a personal property (Tsang, 1998). When an employee leaves a firm, he takes his *guanxi* with him. *Guanxi* is deeply rooted in Chinese society and Chinese use *guanxi* to guide daily activities consciously and unconsciously. In Chinese society, *guanxi* is all pervasive and affects all situations (Polsa, 1998).

Scholars of the Chinese business environment recognize the phenomenon of *guanxi*, though how they define it still varies. Pye (1992) described *guanxi* as friendships with the continued exchange of favors. Yeung and Tung (1996) defined *guanxi* as

“connection” and dubbed it the “Chinese art of reciprocal back-scratching.” Redding, Norman and Shandler (1993) identified *guanxi* as being particularistic ties between two or more individuals. King (1991) described it as a network of personally defined reciprocal bonds. Although it literally means “relationship or relation,” *guanxi*’s essence is a set of interpersonal connections that facilitate exchange or favors among people (Hwang, 1987). Bian and Ang (1997) also note that *guanxi* is not merely a relationship but a tie through which parties exchange valued materials or sentiments based on familiarity or intimacy. Luo (1997b), coming from an instrumentalist point of view, maintained that *guanxi* is a complex, long-rooted, and nebulous term, one that refers to the context of drawing on connections or networks to secure favors in personal or business relations. Given this array of definitions and descriptions, it is reasonable to conclude that the meaning of *guanxi* is quite generalized (Tsui & Farh, 1997); in various situations, *guanxi* can play a variety of roles and have assorted implications (Iacobucci & Ostrom, 1996).

In the Chinese business world *guanxi* is something that must be built up. *Guanxi* building is the transformation process whereby two individuals discreetly construct a basis of familiarity to enable a subsequent development of relationships (Yang, 1994; Yeung & Tung, 1996). Creating a basis of *guanxi* is the first step to developing *guanxi* between two or more individuals. Such a basis may be geographical, teacher-student, kinship, co-worker, supervisor-subordinate, political, classmate, friendships, or sworn brotherhood relationships (Brunner, Chen, Sun & Zhou, 1989; Jacobs, 1979). Once the *guanxi* basis is organically formed, it will serve as a beginning point to foster interpersonal relationships. In order to strengthen the *guanxi*, both individuals have to

invest time to cultivate an emotional bond. Depending on the *guanxi* basis and the amount of investment on relationship building, an interpersonal relationship can vary in the degree of closeness, hardness, or strength (Hwang, 1987; Kipnis, 1997). The strength or “hardness” of the *guanxi* relationship determines the weight of demand that can be imposed (Grainger, 2010).

Although it may enhance interaction and exchange, *guanxi* may also erect invisible barriers between insiders and outsiders. This depends on the strength of the relationship and the nature of the *guanxi* basis (Grainger, 2010). In a business context, an insider enjoying *guanxi* finds deals come about effortlessly. An outsider finds progress difficult, time consuming, and sometimes impossible (Brunner & Taoka, 1988; Marcoux, 2002). Also, in the recruiting process used in Chinese culture *guanxi* was identified as the major criterion. The new employee personally known by the boss or introduced by a person whom the boss trusts, is endowed with a greater chance of being recruited (Numazaki, 1987).

*Guanxi* indicates one’s possession of a particular “set of personal connections that an individual may draw upon to secure resources or advantage when doing business or in the course of social life” (Davies et. al., 2003, p. 42). *Guanxi* is seen as the fabric of Chinese society. Fulfilling one’s obligations to one’s relatives is a cultural expectation, recognized by both Confucian mores and Chinese ethics (Fried, 1953; Hwang, 1987; Luo, 1997a; Yang, 1994). *Guanxi* differs from the West’s “networking.” *Guanxi* is distinguished by its central importance to one’s social, political, and economic life. Lu (2006) pointed out this difference. In the West, entrepreneurs who want to get ahead must innovate by finding a structural hole—a unique network position occupied by no one

else—and cultivate many ties to seek information. But what it takes to get ahead in China is about not only the quantity of the ties (the size of the business network) but more importantly, the quality of the ties (the social status of the people you’re connected with). A particularistic tie with a high-status government official represents a fungible resource that has the potential to win contracts in different scenarios.

To sum up, *guanxi* is a network of private contacts entailing personal, informal, and clandestine deals. *Guanxi* is like the lifeblood of the Chinese business community and extends into politics and society. With *guanxi*, anything seems possible. Without it, things simply seem impossible (or require enormous personal energy) to get done (Davies et. al., 2003).

### ***Renqing and mianzi***

A principle that underlies *guanxi* is that of *renqing*. *Renqing* simply means that favors come with a strong expectation of reciprocity (Grainger, 2003). *Renqing* can be thought of as a personal obligation that, during interpersonal exchange, can be used as leverage (Gilbert & Tso, 2000). *Renqing* serves as a social norm that one abides by to ensure smooth and harmonious social relationships (Hwang, 1987). Grainger (2003) provided several common examples of *renqing*: (1) keeping in touch by inviting each other to dinner and exchanging gifts, greetings, or visitations; (2) sympathizing with and offering help to a member of one’s social network who is in need; (3) on receiving a favor, always remembering to return the favor in due time; and (4) granting favors to friends requesting help.

Lastly, the concept of *guanxi* is closely related to a person’s social image or to the respect they command. This concept is known as *mianzi*, or “face (Grainger, 2003). How



much *mianzi* a person possesses is a function of social status. *Mianzi* is a type of social currency. The Chinese interact with one another to protect, give, add, exchange, or even borrow *mianzi* (Chen, 1995). *Mianzi* can also be seen as a form of collective social control. People follow certain rules or behave in certain ways to retain *mianzi* or to avoid losing it. An individual who does a favor for another gains *mianzi*. A good stock of *mianzi* is required to develop useful *guanxi* (Redding & Ng, 1992). In sum, *renqing* plays a crucial role in the cultivation and development of *guanxi*. Since *renqing* involves social-exchange obligations, people must maintain their balance of it. When people obey the rule of equal social exchange of *renqing*, they lose their *mianzi* when the exchange is not socially or morally acceptable. When people weave their *guanxi* network, they also weave a web of *renqing* obligations (Luo & Chen, 1997).

### ***Guanxi and Social Capital***

Scholars have used social capital theory, which synthesizes several aspects of social theory—social structure, trust, reciprocity, and social network—into one theory of social action (Coleman, 1990), to explain some kinds of advantages gained through the social structure. Coleman (1990) described social capital as being productive, making possible the achievement of certain ends that, in its absence, would not be attainable. Social capital serves as a resource for facilitating collective actions for mutual benefits; higher levels of social capital have positive relations with economic development as well as social development (Putnam, 2000). Generally, social capital can be seen as social networks along with the norms of reciprocity and trustworthiness that arise from them (Putnam, 2000). In short, the core dimensions of social capital are seen to be networks of

social relations (structure), which are characterized by norms of trust and reciprocity (quality; Stone, 2001).

*Guanxi* refers to social connections or relationships based on reciprocal interests and benefits (Bian, 1994; Yang, 1994). Some studies, however, have pointed out that *guanxi* is a form of social capital that brings concrete benefits and opportunities to earn benefits (Luo, 2007; Wong & Tam, 2000). Although *guanxi* and social capital are similar concepts, social capital is considered both the attributes of individuals and organizations. On the other hand, *guanxi* is distinctly about interpersonal relationships, which are often lost within the corporate environments of large organizations (Huang & Wang, 2011). Social capital and *guanxi* are not interchangeable terms. Social capital embraces the attributes of individuals (Coleman, 1988; Putnam, Leonardi, & Nanetti, 1994); *guanxi* applies to a series of dyadic interpersonal relationships, not readily transferable into a hierarchical organization focused on a central or core competency (Huang & Wang, 2011). In other words, the concept of *guanxi* is quite localized and restricted to interpersonal relationships within a small group. The idea of social capital is more concerned about the community.

Social capital is important to any society. It has positive relationships to both economic and social development. An understanding of the essence of social capital results in several defining components, not always consistent with one another (Carifio, 2010). Thus, Burt (1992) defines social capital as opportunities open to individuals who cultivate relationships with others. Furthermore, Coleman (1988) noted that social capital can only be realized where a relationship is complemented by the two parties having similar values and norms. Namely, the norms and values embedded in different cultures

guide individuals who ought to be included in their interpersonal networks and in deciphering what constitutes a right or wrong action that builds trust and reciprocity with people within their interpersonal networks.

The fundamental difference between *guanxi* and the West's social networking, according to Fan (2002), is this: in *guanxi* exchanges, the two individuals are often neither a buyer or seller nor business partners but rather a businessman and a government official or someone connected with government officials. This brings into relief two facts: one, that in business, the role played by government is large and, two, that to get ahead in business, it is key that owners or managers maintain *guanxi* with government officials. According to Trompenaars and Hampden-Turner (1998), people from a rule-oriented culture like those in the West frequently think that *guanxi* corrupts. For their part, Chinese regard the West's obsession with rules as inappropriate. In their opinion, it signals a lack of trust, that elemental basis of friendship so essential to business. Huang and Wang (2011) argued that *guanxi*, or literally personal connections, is distinct from what Westerners put a premium on—networking, information, and institutions; instead the Chinese place a premium on individuals' social capital within their group of friends, relatives and close associates.

For the Chinese, knowing and practicing *guanxi*, *renqing*, and *mianzi* is part of their learned behavior. Derived from Confucianism as a socially and culturally constructed concept, *guanxi* is deeply embedded in Chinese society. It has profound implications in other constructs such as trust and reciprocity. Trust, as a Confucian value, is regarded as a norm in interpersonal relations. In China, trust is recognized as part of the foundation on which are based not only personal but business relationships (*guanxi*;

Osland, 1990; Wu, 1994). In China, the concept of trust differs from that in the West in two ways. First, it often negated in Chinese cultures the need for formalized contracts (Thorelli, 1990). Establishing formal contracts is, in China, considered a sign of distrust. Second, trust, so deeply ingrained in *guanxi*, is personal and particularistic. Therefore, to speak of organizational trust would be misleading. The locus is the individual; if that individual moves from one organization to another, the trust and *guanxi* travels with him or her.

As for reciprocity, it is similar to China's notion of *renqing*. In Western culture, reciprocity is a crucial factor of relationship development. It involves identical or equal exchange of benefits. A relationship involving an unequal exchange is characterized as "exploitation" (Goulder, 1960). Likewise, in the development and maintenance of *guanxi*, a key Chinese cultural value inherent is *renqing* (Wu, 1994). *Renqing* looks familiar to a Westerner when an exchange takes place only if both parties benefit. Unlike in the West, however, neither party expects the reciprocation to be equal (Pye, 1986). Because of the influence of *mianzi*, the Chinese are less hesitant to be the first and greater beneficiary (Osland, 1990).

In summary, China's worldview and its notions of *guanxi*, *renqing*, and *mianzi* could have substantial influences on both the practice and development, in Chinese contexts, of stakeholder theory. The concept of *guanxi* includes the notion, quite familiar to Westerners who network, of continuing reciprocal obligation. Chinese culture, however, lays less emphasis on equal reciprocity. Thus, the concept of *guanxi* should be appreciated in terms of its personal not corporate nature. Exchanges taking place amongst

members of a *guanxi* network are not solely commercial, but also social, involving an exchange of favors (*renqing*) and the giving of face (*mianzi*; Davies, et al., 1995).

### **Stakeholder Theory and *Guanxi* in Chinese Culture**

Although individuals may enjoy personal gains thanks to *guanxi*, the vital resources and cost savings to organizations realized through *guanxi* come at the expense of other individuals or firms. Business *guanxi* dealings can create significant disadvantages for parties outside the network. Competition is then stifled to the detriment of society as a whole (Davies, et al., 1995). Lin and Si (2010) also maintained that the emphasis of *guanxi* in Chinese society could lead to certain unfavorable societal and organizational consequences such as market fragmentation, state intervention, and rent-seeking activities.

A *guanxi* transaction can influence a far wider realm than the *guanxi* parties concerned. Hence, the consequences of *guanxi* should be examined in a stakeholder context at three levels: the personal, organizational, and societal. As noted by Wong (2010), *guanxi* should not be limited to interpersonal links but include the switch that activates social networks and that reconciles interpersonal and inter-network mismatches to influence management efficacy. Chen and Chen (2009) also indicated that close *guanxi* parties, while cooperative toward each other, may nevertheless defect from their respective organizations, causing negative externalities. Han and Altman (2009) explored the perception of *guanxi* from both superior and subordinate perspectives in China. They found that positive and ethical features of *guanxi* exist alongside unethical and negative practices in the Chinese workplace. On the positive side, *guanxi* comprises reciprocal exchange and perceived positive attributes, whereas its darker aspects include perceived

unfairness and supervisor-targeted impression management. In noting the dilemmas of close *guanxi*, we should note three main consequences of *guanxi* transactions (Fan, 2002; Tanzi, 1994):

1. *Guanxi* goes against the principle of fairness by discriminating against people outside the *guanxi* network. Treating an outsider unfairly because of a *guanxi* deal calls into question the ethics of the deal.
2. *Guanxi* is all about trading favors, especially as that concerns obtaining “special treatment” from those in power. Here “special treatment” means to have one in power to bend or break rules, to act against one’s moral consciousness, or act illegally. Where some individuals gain via *guanxi*, society generally loses.
3. Business *guanxi* violates the so-called “arm’s length principle.” This principle states no personal or family relationship should play any role in economic decision-making.

In a society having a long tradition of rule by man instead of rule by law, it has always been vital in business dealings to have good *guanxi* with government officials. This special *guanxi* relationship between businessmen and officials is aptly termed in Chinese venal *guanxi* – the exchange or deal between money and power (Fan, 2002). On the other hand, family *guanxi* serves core relationships in Chinese culture. It might have a substantial effect on daily operation and management.

These influences will not only shape the practice of stakeholder management in Chinese society but also further challenge some basic Western assumptions about stakeholder theory. For example, one assumption of the stakeholder salience at the

managerial level is that managers are framed and positioned as autonomous independent actors (Agle et al., 1999). This assumption is likely to be unfounded in a Chinese context, considering the constraints and influences of *guanxi*, *renqing*, and *mianzi*.

At the organizational level, implications can be drawn regarding the formation, implementation, and consequences of a strategic alliance among a firm and its stakeholders. These implications stem from the different understanding and interpretation of trust and reciprocity (i.e., *renqing* and *mianzi*) in Chinese culture as well as the emphasis on mutualism and harmony in Taoism. Wong and Tjosvold (2010) found that a high level of *guanxi* promotes cooperation and reduces competitive approaches to conflict. This in turn facilitates partnership effectiveness.

At the macro level, the relevant government policies or industrial regulations unique to a Chinese context might enable or constrain the practice of stakeholder management. For example, such policies or regulations might violate the principle of fairness. Further, the different social structure and diverse perceptions about the role of business in society could influence differently the following: stakeholder legitimacy (Why should managers care about stakeholders?); stakeholder identification (Who should be included as our stakeholders by a manager?); and stakeholder interaction (How does a manager negotiate and communicate with identified stakeholders?).

If we want to explore the normative issues in stakeholder theory, it is necessary for the researcher to change the perspective from an observer, as in the positive paradigm, to a participator. The researcher needs to view and interpret focal actors' values, interests, and interpretations through first-hand interaction and communication (Scherer & Dowling, 1995; Habermas, 1990). The positivist approaches naturalize the social

phenomenon and explore the world only from an outside perspective. Positivists do this by focusing on observable phenomenon that can be measured “objectively” (Evered & Louis, 1981; Morris, Leung, Ames, & Lickel, 1999). Interpretive approaches, however, are constructed and interpreted by the members of a social community. Interpretivists refrain from assuming that social entities are “hard facts” to be investigated from the outside (Scherer & Patzer, 2008; Gioia & Pitre 1990). Interpretivists see social phenomena not as objective entities but as subjective meanings, meanings that emerge and evolve through actions and communications (Evered & Louis, 1981). Interpretivists adopt a participative perspective from which they try to come to terms with the subjective meanings of the focal actors (Habermas, 1990). Thus, this study employs a root-metaphor and interpretive approach; that is, it employs ethnography. This approach seeks to describe and examine patterns of assumptions, beliefs, practices, and artifacts. The objective is to understand the influence of Chinese culture (i.e., *guanxi*, *renqing*, and *mianzi*) on the practice and development of stakeholder theory.

A focal organization could, by applying concepts from stakeholder theory, adapt more effectively to a turbulent environment. Stakeholder theory, however, has been derived and developed in the West. Applying it to a different cultural context could result in the construction and implementation of stakeholder theory being substantially affected (Lowe, 2003; Jones & Fleming, 2003).

Through an ethnographic approach, this study aims at exploring the ways that *guanxi*, *renqing* and *mianzi* impact stakeholder theory and affect the practice of stakeholder management. Observing such effects at the micro, meso, and macro levels, this study uses as its subject a start-up sport marketing company in Taiwan. The study



also attempts to incorporate the national-culture configuration into the construction of stakeholder-theory development. The study tries to explicate the assumptions (i.e., values) that bound the theory (Bacharach, 1989). This study, by examining stakeholder theory in different settings and conditions, expects to improve its development (Whetten, 1989). It aims to enhance the general understanding and management of relationships, in a Chinese cultural context, between a focal organization and its stakeholders.

### **Chapter 3: Method**

The ethnographic approach is used to explore Chinese culture's influence on the practice of stakeholder management in a sport marketing company in Taiwan. It is also used to examine the culture's influence on stakeholder-theory development. A descendant of anthropology, ethnographic research strives to reveal social actions, symbols, norms, and values of a culture. This is carried out through a narrative description generated by firsthand involvement with informants. The ethnographic approach is a naturalistic, systematic, interpretive approach and relies on observation, interview, and description rather than on statistics and experimentation (Ragucci, 1972). By generating detailed cultural descriptions, ethnographic investigations examine what the world is like for people who have learned to see, hear, speak, think, and act in ways that differ from dominant cultures or have yet to be described (Wolf, 2007).

Ethnographic studies are oriented by concepts of structure, function, and symbol (Fetterman, 1989). Structure indicates the social structure of the group, such as how various positions and job descriptions function in the host organization. Function points to social relationships and interactions among the members of the group. Symbol, in its condensed meaning, operates like a "cognitive reflex" and evokes "power, feelings, and thoughts" (Fetterman, 1989, p. 36). Researchers also adopt similar concepts to study organizational culture. Schein (1992) described organizational culture in terms of three levels: (1) artifacts and creations such as policies, technology, art, and behavior patterns; (2) values held collectively by the group; and (3) basic assumptions held by group members concerning relationships to the environment; the nature of reality, time, and space; the nature of human nature and activity; and the nature of human relationships.

Schein (1992) explained that basic assumptions, at the deepest level of culture, operate at the preconscious level and affect our behavior without alerting our critical awareness. This means that even though we are aware of our values and can observe artifacts and processes, we often overlook their connections to basic assumptions. To clarify, Hatch (1993) provided a cultural dynamic model to illustrate the connection between artifacts, values, symbols, and assumptions. The process of manifestation contributes to the constitution of organizational culture by translating intangible assumptions into recognizable values or vice versa. The process of realization is making value real by transforming expectations into social and material reality and by maintaining or altering existing values through the production of artifacts. The symbolization process refers to culturally contextualized meaning (symbol) creation via the prospective use of objects, words, and actions (artifacts). Lastly, the interpretation process involves a move from the “already known” of a culture’s basic assumptions to current symbols, or it implies that current symbols have a reciprocal influence on basic assumptions (Hatch, 1993). The cultural dynamics’ model offers an ideal way of understanding culture as being constituted by continuous cycles of action and meaning-making and oscillation between objectivity (artifacts) and subjectivity (assumptions).

## **THE CONTEXT**

The field selected for this study is a sport marketing organization in Taiwan. The selected organization is dedicated to promoting tennis in Taiwan by providing tennis lessons to the public, offering professional training for youth players, hosting amateur tournaments, and holding international tennis events. The company holds local tennis tournaments monthly and one international tennis event each year. The local tennis

tournament hosts both adult and youth amateur players. Its first international tennis exhibition event was held in January 2011. The event invited two former tennis stars, one ATP top-ten player and two local tennis stars to play one another. A doubles match between two retired tennis stars and two local tennis stars was followed by a singles match between one local tennis star and the top ten-player. The events were held in Taipei and Kaohsiung (Taiwan's two largest cities) and attracted over 10,000 spectators. The cost of the event was \$2.5 million and the average ticket price was \$150.

A similar event was held fifteen months later (May, 2012), with preparations beginning immediately following the first. The company's CEO assigned the study's investigator, who obtained approval for ten months of participant observation and interviews, to serve as a manager of the company (from December, 2010 to September, 2011). I was able to participate in the implementation process of the first tennis event and in the preparation process of the second event.

## **DATA COLLECTION**

The data-collection approaches of ethnography are distinctive. It uses self as an observer who carries out on-site fieldwork, prolonged engagement in the fieldwork, formal or informal interviews, event analysis, and document and artifact analysis. Data collection is qualitative and inductive. In ethnographic research, the ultimate goal of data collection is to generate thick descriptions (Geertz, 1993) that detail the patterns of culture and social relationships, putting them in context. Interpretation is based on the meanings that actions and events have for members of the culture (Wolf, 2007). The methods of data collection in this study include participant observation, interviews, field notes, event analysis, and document analysis.

Participant observation is defined as the method by which investigators join the insiders' culture. This enables the study of human relationships, events, patterns, and the sociocultural context in which people live and work (Jorgensen, 1989). By observing and experiencing events as they gather data during fieldwork, ethnographers use themselves as participant observers. Through the involvement, ethnographers are able to achieve on-site, temporary membership in the culture. During participant observation, researchers learn the use of insider language, later seeking, during interviews, clarification and understanding (Wolf, 2007). Participant observers are outsiders who gradually gain insider knowledge of the culture, having, over the course of study, transformed their status to that of an insider and performing various roles.

To gain a deeper understanding of the informants' world, ethnographers depend on interviews. The chief goal of ethnographic interviews is to obtain cultural understanding and interpretations. Interview questions vary. They range from grand-tour questions that help to position subsequent questions to contrast questions that inquire about, for example, what happens when events go, or fail to go, as planned. Grand-tour questions often lead off with "Tell me about..." For example, "Tell me about what typically happens during your day working here?" More specific follow-up questions help uncover cultural meanings and assumptions: "How did you get this job?" "How do you like this company?" "Who do you usually interact with?" "What's your experience interacting with them?" "Is there anything you must know before you interact with them?" Please see Appendix 1 and Appendix 2 for the interview guide for both staff members and the CEO of the company.

The forms of interview also vary. There are formal and structured interviews where the purpose of the conversation is explicitly made known to the informants; all of these research questions have been planned by interviewers (Spradlry, 1979). There are semi-structured interviews, preferred by ethnographers because of their flexibility. During semi-structured interviews, the investigator might start with a vague idea in mind, question informants, and follow the conversation to a greater understanding as questions gradually become more focused (Wolf, 2007). Thus, the researcher can obtain unexpected significant information as well as answers to prepared interview questions. Finally, thirteen informal/unstructured interviews were conducted. These interview were mostly open-ended and flexible (Patton, 1990).

Field notes, written with a great amount of detail, help ethnographers gain an inclusive, holistic, and extensive picture of the group under study. How people act and the descriptions of activities are the main sources of cultural knowledge. These are acquired through interpretation. So the main source of ethnographic records is written field notes. According to Atkinson (1992), “field notes make ‘the field’ manageable and memorable” (p. 18). Field notes involve writing of course, in which observation and interviews are constructed and reconstructed. And of course field notes involve reading. This is where interpretation takes place (Atkinson, 1992). Field notes identify the dates, days, times, settings, and the names, status, and activities of informants being observed. Field notes are recorded in everyday language (Spradley, 1980). Field notes also enable the published results to adhere to the “thick-description” standard proposed by Geertz (1973). Thick description refers to a narrative that reveals the abstract and general patterns and traits of social life in cultures. Thick description is rife with details that other

readers would appreciate almost as if they were witnesses (Wolf, 2007). To deal with the large volume of field notes and other documents collected, the investigator developed an organizing system of data retrieval. Computer files, backup files, and scanned documents will be stored in a logical, indexed format. All field notes and documents will be organized initially and sequentially to facilitate data analysis (Wolf, 2007).

During the process of participant observation, transient events might happen that divert investigators to more focused observations. Such an event could produce momentary examples of behaviors. Describing events involves a description of the setting, artifacts, documents, informants, and conversations. Further, documents such as newspapers, journals, files, and other records collected by investigators also serve as a source of facts about a culture, which instruct ethnographers about what is going on and who is doing it (Wolf, 2007). Lastly, the way insiders use artifacts informs ethnographers about the culture and assists investigators in comprehending tacit knowledge. Thus, understanding the use of objects in contexts of physical settings and social interaction serves as another source of data (Wolf, 2007).

This study used as its main informant selection method the judgment sampling method. The CEO served as the core informant and helped the investigator identify other key informants. The CEO introduced the investigator to his staff and introduced the investigator to key informants as an intern. All interviews were audio-recorded and conducted in Chinese or English, as preferred by the participants. As for confidentiality, pseudonyms or codes were used to protect the identity of informants in both field notes and interviews. All field notes and transcriptions were stored in a locked drawer or in a password-protected computer as a further protection. Further, an informed-consent form

in Chinese approved by the IRB was provided to and signed by interviewees before interviewing. All the informants were notified that participation in the study was voluntary and that they could terminate their participation at any time.

## **DATA ANALYSIS**

Data analysis began with the first field notes and continued throughout the time necessary for the completion of the ethnographic study. From the start of fieldwork, data collection and analysis had interacted in the thoughts and records produced by investigators. The analytic circle involved data analysis in which research materials were broken up into units (codes, etc.); were sorted and searched for categories, patterns, or wholes; and were reconstructed in a meaningful and comprehensive way (Jorgensen, 1989). Data-analysis procedures for ethnographies involved content analysis of text. Cultural data, as recorded in field notes and interview transcriptions, were drawn from abstractions of behavior about what people did and what they said they did (Admodt, 1982). The investigator grew quite familiar with the field notes by returning to them again and again. Each time an analysis was performed, the investigator would read the textual material to get a feeling for and make sense of the data but also to keep in mind the research purpose (Wolf, 2007).

This naturalistic study involved an interactive process of data collection and data analysis which continuously adjusted interview questions and observational strategies as new information emerged (Erlandson, Harris, Skipper, & Allen, 1993). A constant comparative method was employed during the analysis of developing categories from the data. This was followed by identifying and comparing similarities and differences with the existing concepts of stakeholder theory until distinct patterns were evident (Bogdan &



Biklen, 2003; Merriam, 1998). Next, significant statements (words, phrases, sentences, paragraphs) were extracted that corresponded with the listed thematic structures. Therefore, during data analysis, ethnography was typically etic, with consistent attention to emic dimensions, reflective of the informants' culture. As suggested by Spradley (1980), ethnographers should record observations in the language they use in everyday situations. So all field notes were written in Chinese and all interviews were conducted in the native language spoken by the interviewees. Further, all transcriptions were coded in Chinese to maintain the original meaning and accuracy of data to avoid the potential problems derived from translation.

Triangulation of different data sources was used in my collection and examination of data to "build a coherent justification" for the categories and themes (Creswell, 2003, p. 196). The five-phase heuristic approach provided by (Moustakis, 1990) served as the analysis guideline of my data collection and analysis including: 1) immersion in the setting, 2) incubation of thoughts, 3) illumination of awareness and understanding, 4) explication of participants' experiences through description and explanation, and 5) creative synthesis of the whole. The core purpose of this ethnographic study is to establish a deeper understanding of a cultural phenomenon. This purpose is born from a desire to educate readers, through narrative interpretation, about the interactions in a specific cultural context among a focal organization and its stakeholders. Instead of presenting numerical data, literary techniques of a descriptive and imaginative nature are often used in analysis. These rely on a researcher's own instincts and abilities (Merriam, 1998) to report the data in a manner worthy of a reader's time and attention.

## **NARRATIVE WRITING AS A WAY OF KNOWING**

Richardson (2000) urged researchers to think beyond the normal realm of research writing. Writing, he argued, could be a way of knowing, a method of discovery and analysis. By writing in different ways, we can discover new aspects about our topic and our relationship to it. As argued by Richardson, qualitative writing “carries its meaning in its entire text” and must be “read, not scanned; its meaning is in the reading” (p. 924). She continued, “There is no single way – much less one ‘right’ way – of staging a text. Like wet clay, the material can be shaped” (p. 936). The challenge in writing up my research was in generating a text that I found “vital, attended to, and make a difference” (Richardson, 2000, p. 924). It needed to do this while maintaining a sense of flow during data collection and analysis. I had to avoid concentrating on parts and to focus on presenting, through a more openly creative process, what I saw as the whole. I also had to continuously return to my literature review and draw into my findings the connections of fundamental concepts in stakeholder theory. My avenue of truly understanding and internalizing the data came about by writing the results of this study. As the writing progressed, I began to notice the substantial influence of Chinese culture embedded in the interactions among key informants.

In order to establish the authenticity of my result as well as to achieve a venue of validity, I chose Richardson’s (2000) five criteria categories for creative analytic practice. These served as a guide for writing the result of this study. I expect those reading my study will keep them in mind and that they might resonate with readers. The five criteria categories for evaluating ethnographies included critical questions that I asked myself while writing my text. They are listed below (Richardson, 2000, p. 937):

1. Substantive contribution: “Does this piece contribute to our understanding of cultural interactions? Does the writer demonstrate a deeply grounded (if embedded) social scientific perspective? How has this perspective informed the construction of the text?”
2. Aesthetic merit: “Does this piece succeed aesthetically? Does the use of creative analytic practices open up the text; does it invite interpretive responses? Is the text artistically shaped, satisfying, complex, and not boring?”
3. Reflexivity: “How did the author come to write this text? How was the information gathered? Is there adequate self-awareness and self-exposure for the reader to make judgments about the point of view?”
4. Impact: “Does this affect me? Emotionally? Intellectually? Does it generate new questions or move me to write? Does it move me to try new research practices?”
5. Expression of a reality: “Does this text embody a fleshed-out, embodied sense of lived experience? Does it seem ‘true’—a credible account of a cultural, social, individual, or communal sense of the ‘real’?”

I also realize that informants’ experiences and their individual abilities in articulating their experience also influenced the process of data collection and analysis. What also played a key in collecting data was the maintaining of reciprocity relationships with informants. This “person-centered nature of interpretive work” requires, between the informants and me, this “kind of intense sharing” in relationships with a “deep sense of trust, caring and mutuality.” However, I believe my prolonged engagement and persistent participant observation in the field as a core staff of the organization allowed me to

harvest enough data and generate a rich and thick description that brings strong credibility and trustworthiness to this study (Erlandson et. al, 1993). I also realize the importance of reflexivity during my writing, analyzing and interpretation since I shared the same culture with the informants of my study. Although cultural familiarity could help me immerse in the context easily as advantage, at the same time, it might prevent me from noticing subtle differences that I take for granted. However, the living and working experience in the U.S. for six years provides me certain cultural distance to observe behaviors and analyze data. Furthermore, constant discussing with my committee members and other Ph.D. students who are not familiar with Chinese also helped me detect the subtle nuances that I took for granted or neglect.

The section that follows will serve as a thick description (Geertz, 1973; Denzin, 1989) providing context and meaning to observed actions from the ten-month stretch of fieldwork at this sport marketing company. Further, a thematic analysis of interview transcriptions, documents and thick description was carried out, with a focus on concepts of stakeholder theory in culture-related matters.

## **Chapter 4: Findings**

The findings of this study consist of two sections. The first section is a straight description, providing the ethnographic details necessary to understanding the interesting social and cultural actions. The second section is a thematic analysis of the qualitative data, deriving major categories and themes for further discussion and analysis.

### **THICK DESCRIPTION**

The idea here is to uncover the dynamic relationships, in a Chinese cultural context, between the CEO of the company and his stakeholders. I expect to capture the interactions between the CEO of the focal organization and his crucial stakeholders and the factors that influenced his decision-making process. The first part of the thick description introduces the setting and the focal sport organization. It then details the interactions between the CEO and internal stakeholders as well as external stakeholders. An index of names and positions is provided for reference (please see Appendix 3).

### **The Setting**

The winter day in Taipei was unexpectedly sunny. I was close to running late to my meeting with Jason, the CEO of Infinite Sports Inc. I seemed unable to find the building location. I was looking for a huge business building. It turned out the office of the I.S. is nestled in a nondescript apartment building. Nothing about the building led me to believe it contained a fully functional sports marketing company. Nevertheless, I had no choice but to trust the address given to me and went inside. After checking in with the indifferent security guard, I took the elevator to the third floor hoping I still might make it to the meeting on time. Stepping out of the elevator, I saw that there were four units on

the floor; three of these were currently being used as residences. Disbelieving, I pressed onwards towards the fourth unit where I saw a sign hanging on a glass door: “Infinite Sports Inc.” it read with its Chinese translation inscribed below. Through the glass door I could make out four tennis star dummy boards. Only at that point was I sure I was at the correct location. The dummy boards were depictions of the tennis players that had been invited by this company to play the next month at two exhibition games over three days. My eyes widened in excitement as I noticed that two of them were former ATP #1 players and the other two were current up and coming talented local tennis players. This upcoming event was to be one of the biggest tennis events in Taiwan’s history. Being an avid tennis enthusiast and fan myself, I knew I had to be a part of this historical moment. To be so, this meeting was crucial.

Stepping inside, I was stunned by the scant size of the office, a two-bedroom apartment around 1,000 sq. ft. It was bustling with around twenty diligent workers. One room was dedicated to the CEO of the company, while the other room served as a dorm for the two youth players being trained and sponsored by Infinite Sports. The staff was working in what appeared to be the apartment’s living room; with most people having to share tables with two or three other colleagues. Although this office was, for lack of a better word, cozy, the company was able to be creative and resourceful by designating a smaller space as the reception area. A quaint tea table and an affordable sofa was all the furniture the office could squeeze into this waiting space. Greeted by a familiar face I had once met in America, the receptionist proceeded to usher me to the sofa, with a cup of water for me in hand. She asked me to wait for Jason who was still gathering some of the managers for the meeting I was to attend. While waiting, I decided to make some

thorough mental notes about the environment where I might work and do research for the following year.

The first thing that struck me was the employees. They were relatively young and gave off a can-do attitude. The average age of the employees, I would find out, was around twenty-eight years old; half of them were fresh out of college. The oldest person in the office was not yet 40 and that was Jason himself. The working atmosphere was more like a sports club office in a university rather than a corporate office setting. If there was claustrophobia present, everyone hid it well, seeming to get along well and work with smiles and energy.

The designated work area, the living room, was an open space that contained three rows with two big adjoining desks. Each row had eight people, six along the sides and two at the ends. Everyone used his or her own laptop so the table was covered with chargers, cords and plugs. It was indicative of my future work conditions, I didn't think I would mind the crowded work conditions too much, as long as I got along with my fellow employees.

Five minutes later, I was called into the Jason's office and met with a couple of the managers. I gave a quick introduction of myself and then explained the reason why I wanted to work for Infinite Sports (to do my graduate research). Although I couldn't comprehend what Jason and the other members must have thought of me, Jason wasted no time in introducing me to the managers he intended me to work alongside at the company. I was given the title of assistant under the operations department and was assigned to constantly report and accept any tasks given by the manager of that department. Jason also asked me to support, when needed, the marketing department and

public relations department. Jason promised I could attend all the internal meetings as well as external meetings with the government, sponsors, or partners.

After the meeting, the manager of operations (Andy) decided to speak to me on a more personal level. Pulling me aside, I was shocked to learn that the manager I would be working for was two year younger than me. So because Andy and I were close in age, a feeling of familiarity and ease settled between us. Running into conflicts because of difference in generational thinking became the last thing on my mind. He told me he highly respected me on my academic background and said it took gusto to come back to Taiwan for this tennis event.

When I asked Andy about tennis and who his favorite athlete was, he shook his head and admitted that tennis was not exactly his favorite sport. I was nonplussed. Who in his right mind would want to work for a company in which tennis was the main sport but had no interest in it? Andy, unprompted, quickly explained. It turns out that Andy had originally met Jason through a prestigious YEF program (Young Entrepreneurs of the Future) two years earlier. They became friends during the congratulating ceremony of the winners.

Six months before the tennis event was to take place, Jason invited Andy to join the team because of his excellent ability at financing and organization. Andy was touched by Jason's passion for tennis and agreed to help oversee this tennis event purely on this basis. Despite being unfamiliar with tennis, Andy played a crucial role in the success of the company. He provided more subjective and rational suggestions during decision-making processes. Andy obviously enjoyed helping an entrepreneur and friend start a new business, in a barely touched industry in Taiwan. Besides, this event was a once-in-



a-lifetime opportunity, so naturally he felt compelled to play a part in it. Another reason that Andy jumped in may have been to repay a debt. When Andy started up his own sports business, Jason put Andy in touch with some important people.

In 2009, I started my own business about street dancing and yoga. Since it is sport-related, Jeff introduced some people to me, such as people who worked for Adidas... Jason helped me a lot when I started my new company by providing me with his personal connections within the sport industry. Also, I personally believe in his vision and know that a great idea could be realized by others who are trying to make it in this industry and therefore I knew I had to help him in any way I could.

After my conversation with Andy, it became extremely clear to me that Jason was a persuasive yet willingly helpful man. He was able to not only help out a friend in need but encourage people like Andy to work for him; even if they had no interest in tennis. With such accomplished characteristics, I began to wonder, what exactly it was that drove Jason to be so passionate about tennis. What was it that made him want to go into this barely touched industry; and why did he feel the need to change it into an image of his own ideas? I was to later discover that it stems from his previous experience with Taiwan's poorly functioning tennis development system.

### **The Tennis Development in Taiwan**

The National Tennis Association in the U.S. and its counterpart in European countries perform and operate much differently than from that of Taiwan. Their tennis associations are known to play a crucial role in incubating elite potential players. They carry this out by providing them with state of the art tennis facilities and professional

staff such as ATP or WTA certified coaches, doctors and trainers. These associations have also been known to serve as a resource generator and distributor. They gather financial and non-financial resources from the government, enterprise sponsors, and donators. But beyond that, they distribute them equally and efficiently throughout high quality training programs. Furthermore, they host international youth or adult tennis tournaments to let their players compete locally. This saves the expenses of competing in other countries.

Taiwan, on the other hand, falls short of many of these opportunities or advantages. They lack financial resources from the private sector and struggle against the nation's passive inclination towards sports in general. According to the 2011 National Sports Survey of Taiwan, 26.4% of the adult population exercises on a regular basis. In the U.S., that figure is 40%. Therefore, the role of government should assume a more important role in sport development and promotion in Taiwan.

In July 1997, many sports administrators, sports leaders, as well as Taiwanese legislators banded together to establish the Sports Affairs Council (SAC) of the Executive Yuan (the Cabinet) of the ROC. The SAC's mission, according to its website, is this: "Through cooperation of the government and private sectors, [we] aim to respond effectively to the health and exercise needs of the people of the ROC" (SAC website). It would seem that the goal of the Sports Affairs Council is to promote mass sports participation at all levels of Taiwanese society. Their true goal or agenda, however, is different. What they strive for most is the honor and recognition that Taiwan can achieve by competing and winning medals in international tournaments such as the Olympics and Asian Games.

The SAC aims to foster a healthy nation based on the policy of promoting participation in sports at all levels. It will help all athletes in Taiwan who demonstrate the potential to win medals at regional and international competitions to develop their skills to the fullest. The SAC will also assist athletes in Taiwan to obtain jobs in sports-related enterprises or elsewhere so as to help them enjoy a decent and dignified life after they retire from the competitive arena. (SAC website)

So the agenda of the SAC is to ultimately win international competitions and to take care of retired athletes who competed for their country. Because of this, it tends to distribute its budget to each national governing body of sports based on how well it did in recent international competitions. This strategy, however, fails to create more medalists for Taiwan. Instead it hinders sport development in both local competitive sport competitions and mass sport participation. Jason had previously touched upon this subject in one of his many published articles. He claimed that because the Chinese Taipei Tennis Association follows SAC rules, only players qualifying to play in international competitions are given top priority to receive SAC resources. Such a system neglects other potential tennis players, causing CTTA to miss opportunities to cultivate new players for a new generation of tennis athletes.

Such a medal-oriented approach also shapes the goals of CTTA— from tennis promotion to medal acquisition. The function of CTTA shifts from player cultivation to player selection. CTTA only focuses on picking the best tennis players in Taiwan and ensuring they will play for Taiwan rather than providing quality coaching and hosting international tennis events. The financial burden of hiring good coaches or trainers, or the expenses of competing abroad are still on the backs of players and their families.

Ultimately, this is the fault of Taiwan's unsound tennis development system. Faced with these dysfunctional systems, It is little wonder Jason created Infinite Sports. But to further understand his inspiration for the company, I needed to know him better.

### **The Birth of Infinite Sports**

As an adolescent, Jason was considered a very talented youth tennis player, winning, at the age of sixteen, second place at the National Junior Doubles' ranking. When Jason wanted to further his tennis career, his father sternly refused to give his assent. Jason's father was himself once an elite tennis player in Taiwan. Nevertheless, he pressured Jason to concentrate more on his academics. What Jason's father knew was what Jason would later discover—Taiwan's tennis development system was defective. Without stable and sufficient financial support, even gifted tennis players had at best a slim chance of succeeding.

This rift left Jason and his father not on speaking terms for almost a year. The father's stance never faltered. Eventually Jason gave in to his father's, and Taiwanese society's view of tennis. Reluctantly, he got on track to becoming a good student. Notwithstanding his transformation, Jason stayed connected with tennis. He joined the tennis varsity team in college and played in various collegiate tennis competitions for his school. After graduating from college with a Bachelor's Degree in Engineering, Jason landed a job as an engineer at a high-tech company in Taiwan. Not long after he started work, Jason was sent by his company to San Jose, California, for a job training opportunity. It was there, in 2002, that he picked up again his long-denied passion, tennis. It happened like this.

After coming home from a boring though productive day of work, Jason received news about a talented Taiwanese tennis player who was in need of some assistance whenever he would arrive in San Jose. His name was Randy and, at the time, he was ranked #150 in the world. He was coming to California to play at the San Jose Opening. Jason immediately contacted Randy's representatives and expressed his desire to help the up-and-coming player. Jason was able to arrange an interview for Randy with a reporter from the largest local Chinese newspaper. He also organized an exhibition game and a fundraising banquet, raising thirty thousand dollars for Randy. Furthermore, Jason also established a fan club to provide continuous financial support for Randy. This was the incident that relighted Jason's fire for tennis again.

It was not, however, the only spark that led to Infinite Sports. In 2004, Jason went back to Taiwan to renew his immigration documents. While there, he applied to graduate school at High-Technology Management in Hsinchu, Taiwan. He received admission while waiting for his VISA appointment. Jason decided to stay in Taiwan to get his master's degree. He joined the Young Entrepreneurs of the Future (YEF) competition hosted by Epoch Foundation during the second year of graduate school. Jason learned about entrepreneurship and how to start a new business through the YEF program. In 2006, while still being productive in YEF, Jason also voluntarily intervened in the disagreement between Taiwanese tennis players and CTTA.

The disagreement grew out of how the prize money and subsidies had been distributed after the Asian Games in 2006. Jason saw that the tennis development system was still unhealthy and had not improved over the last fifteen years. Jason knew he needed to change the system somehow, but was still uncertain about all the details that

needed to go into the realization of his dream. Jason, motivated by the memory of his own dream being denied, wanted to make sure that other young player's dreams could come true. He never wanted another talented player to give up their talent as well as passion and live with the regret that he had.

In June 2007, after assisting the CTTA host the Davis Cup between Taiwan and China, Jason knew the time had come. It was time to take action in creating a new tennis development system of Taiwan. He decided to start a company to help those tennis players in need so they could compete in international competitions without any worries about financing. Eventually, Jason hoped the world would know the power of Taiwan through tennis. "I know Taiwan is not big, but it could be special." However, in Taiwan, sport-marketing companies like Infinite Sports were categorized under the service industry and therefore it was hard to get a bank to finance them. Without any help from the government, the only way to establish Infinite Sports was through private investors.

Luckily, one of Jason's teammates from his college tennis varsity team introduced Jason to a potential investor, Larry. Larry owned a sports equipment factory, producing pool cues and tennis rackets. Larry was also enthusiastic about playing tennis and interested in investing in a tennis-related business. Jason presented his proposal for Infinite Sports, sharing his opinions and recommendations about tennis development in Taiwan. Larry was persuaded and decided to take a chance and invest in Jason's vision. Infinite Sports was thus born and Larry became its president. Jason on repeated occasions stated how gratified he was that Larry decided to invest. Jason averred how nervous he was at first and how scared about going through with his plans. However, when he rethought the situation facing Taiwan, he knew he had to at least try. And with support

from Larry, his heart swelled with confidence and excitement, feeling that failure could not be an option.

Once the money had been secured, Jason had to think next about what the mission of Infinite Sports would be. He also had to form a constructive work team to achieve his goals. His ideas needed to be clean, perfect, and understandable so that public opinion would get behind Infinite Sports. Jason had two goals: make more people willing to dedicate themselves to tennis and assist more Taiwanese tennis players to compete on the international stage. Jason wanted them to challenge the best tennis players in the world. Soon the idea of WishTennis was created. WishTennis was a program designed to improve the domestic tennis development system launched by Infinite Sports in 2007. The goals of WishTennis include:

1. Increasing tennis participation in Taiwan.
2. Attracting government and corporations' attention to put more efforts in tennis development by holding international tournaments.
3. Assisting young potential tennis players to become professional players by providing world-class training and sustainable sponsorships.

After Infinite Sports was founded, Jason quickly signed a sponsorship agreement and agency contracts with fifteen local, talented tennis players. Randy, from Jason's days in San Jose, California, was among them. Two months later, Jason hosted a tennis training camp that invited internationally renowned coach and manager Don to Taiwan. Taiwan's best men's players and their coaches were invited to participate in training. To get the local tennis players competing domestically, Infinite Sports hosted, at the end of 2007, the first ATP Taiwan Challenger in over fifteen years.

This event was also the first ticket-selling, professional tennis tournament in Taiwan, with spectators numbering over 6,000. Randy won the title and generated a rush in Taiwan of tennis watching and playing. Choosing to “make hay when the sun shines,” Infinite Sports co-hosted with CTTA, in February 2008, the Davis Cup (Taiwan vs. Australia). Infinite Sports was responsible for managing public relations, recruiting sponsors, generating press releases, and coordinating event logistics and management. The event attracted over 10,000 spectators in the course of a week and also, in the Taiwan tennis industry, burnished the reputation and positive image of Infinite Sports. This was crucial in Jason’s plans for Taiwanese players to compete with big nations in tennis like the U.S., Argentina, and Australia.

After their initial successes, Infinite Sports started holding several amateur tennis tournaments in the northern, central, and southern Taiwanese regions. They were capitalizing on the tennis rush that was currently sweeping the nation. These three tournaments attracted over 1,000 participants. Besides engendering mass participation, Infinite Sports kept hosting professional tennis training camps for elite tennis players from Taiwan, including a tournament for the top eight ranked players from the 14-, 16-, and 18-year-old categories.

Despite 2008 appearing to be a plentiful year for Infinite Sports, the company was failing to bring in sufficient income to cover its costs. The losses incurred from hosting the Taiwan Challenger and training camps nearly wiped out the investment amount that Larry put in. While Jason worried about the company’s deficits, Infinite Sports won, in June 2008, the bid for the operational right to a city-government-owned tennis facility in Taichung, in the Midwest of Taiwan. Infinite Sports also took over all the memberships



of the previous tennis clubs. It served as the base for providing training programs to youth tennis players and offering tennis lessons to the public. Furthermore, there was a small area in the tennis facility where Infinite Sports set up, near the entrance, a small tennis shop. The shop sells tennis apparel, racquets, drinks, as well as provides training services for its members. Through its membership fees, training fees, and retailing, Infinite Sports started to gain a greater portion of income.

In March 2009, another critical event occurred for Infinite Sports. The marketing manager of the second largest sport apparel company in Taiwan, Aaron, contacted Jason and explained the companies' interest in collaborating with Infinite Sports to explore Taiwan's tennis market. Jason explained:

Since we hosted the ATP Taiwan Challenger in 2007, even though we were a small company, we showed our capacity and credibility to the world that we could hold an international tennis event. Soon after, the marketing manager of Adidas in Taiwan contacted me to see if there was any opportunity to collaborate with us in order to expend their tennis market share in Taiwan. Before that, we did not have a big name sponsor and the reason why Adidas approached us was that they knew we could actually host a tennis event. After several conversations, we decided to try it out and officially renamed our amateur tennis tournament the "Adidas cup" since 2009. It has been three years that we have partnered with Adidas. I think collaborating with Adidas was a critical point for Infinite Sports. Infinite Sports became an official dealer for Adidas products since March 2009. Once we started to sell Adidas products we gained a stable income from sales. We didn't have any income before that; the only income was from collecting membership fees but it failed to generate enough income.

Jason introduced the system of NTRP (National Tennis Ranking Program) into the Adidas cup in order to allow participants to compete with people on similar tennis levels. Because of the adoption of NTRP, more amateur tennis players were willing to compete. Since then not only has competition and participation increased, but players on different levels have a higher chance of achieving victory in their competitions. Now Infinite Sports hosts the Adidas cup every month and creates its own ranking system to ensure the fairness as well as the competitiveness balance of the tournament. According to Jason, hosting the Adidas Cup allowed Infinite Sports to interact with its customers while generating additional revenue from selling tennis and Adidas products. Moreover, by partnering with Adidas, Infinite Sports strengthened their brand image through its amateur tennis tournament and raised their revenues by selling Adidas products to those participants. The participants of Adidas cup increased dramatically. As of 2011 there were over 10,000 participants. Having gotten the Adidas cup in full swing, Jason began to think of ways to generate a greater impact on the tennis industry. He wanted to ignite public interest in tennis—its playing and viewing.

In addition to its partnering with Adidas, Infinite Sports' other turning point was the 2009 Australia Open. In January 2009 Jason flew to Australia to watch the Australia Opening with Susan, the CEO of YEF. While sitting in the Rod Laver Arena, watching the outstanding tennis, Jason asked Susan a string of questions. "Why do we have to fly thousands of miles away from Taiwan to watch tennis?" "Why do people in Taiwan have no opportunity to feel the greatness of tennis?" "Why can Australia do this and we can't?" Susan made a suggestion. "Why don't you host a tennis event in Taiwan and bring the best tennis players to Taiwanese tennis fans." Jason still recalled how the Davis

Cup in 2008 touched the people in Taiwan. He believed that hosting a large-scale tennis event could boost Taiwan's tennis development. On his return to Taiwan, Jason started to plan hosting an exhibition game in Taiwan so people could experience the greatness of tennis.

For a long time, tennis fans in Taiwan have been neglected.... Every year many tennis fans go abroad to watch the Grand Slam yet in our tennis facilities, we don't have enough tennis courts for people to play tennis. Every time a Taiwanese tennis player has a great performance in the Grand Slam, the international sports media will bring out the overly discussed topic about the lack of a tennis center in Taiwan with surprise and curiosity. For tennis fans, the anticipation of watching elite tennis players compete in Taiwan is still there but as time goes by the situation is getting worse. Therefore, when tennis fans lose their faith and fail to generate incentive for government and business to invest more resource in tennis; a positive and constructive outcome will never occur. Thus, for Infinite Sports, the company has been working on promoting tennis in Taiwan for the last three years. We want to show the potential power of tennis fans to government and business once again. The only way to excite the potential power is to invite world-class tennis players to come to Taiwan and pack the stadium with tennis fans. We don't need any unnecessary speeches or fancy presentations to convince the government and businesses, but touch them with excellent tennis performances, passion, and excitement.

With Susan's encouragement, Jason started to plan a tennis event in Taiwan to rejuvenate the people's excitement. The question for Jason was this. What kind of tennis

event could generate a greater impact on the tennis industry and attract more attention from general public, media, business and government? Jason discussed with Randolph, Randy's coach and agent, the best strategy of hosting an influential tennis event in Taiwan. Randolph had been involved in professional tennis for more than 40 years. He had served as coach and agent for several top 20 ATP players. Jason had known Randolph (through Randy) since 2007; he had hired him as a consultant for the 2007 Davis Cup. Jason had also invited Randolph to be the head coach, in 2008 and 2009, of the training camps for the top 20 Taiwanese tennis players.

Randolph liked Jason's vision of promoting tennis in Taiwan. He pledged his support of Jason's idea meant to boost tennis development. Rather than hosting a regular ATP event, Randolph suggested Jason invite some formal tennis stars to play with local tennis stars. The famous formal tennis stars would attract a lot of attention and would come with a lower cost. On the other hand, including local tennis stars would not only give them a stage on which to compete but it would give fans a chance to support their favorite local players in Taiwan instead of traveling internationally.

Through Randolph's connections, Jason got a list of several retired international tennis stars. According to the schedule and the budget of the event, Jason decided to invite two former number-one-ranked ATP players and one current top ten player. He wanted them to play with the two best local tennis players. To boost the intensity and number of spectators, Jason planned to include three matches in the event. The first match was to be a singles match between the current ATP top-ten player and a local player who ATP had ranked as 33 in the world. The second match would be another

singles match between two former tennis stars. Lastly, a doubles match would be played between a mix of two ATP tennis stars and two local players.

There would be two events with the same order of matches. The first one would be hosted on a Thursday night in Taipei Arena (11,000 seats) and a second one would be hosted the following Saturday night in Kaohsiung Arena (13,000 seats). Welcome parties were to be held the night before the matches in two 5-star hotels, one in Taipei and the other in Kaohsiung. To pull this off, Jason needed to acquire a range of necessary resources and thus he had to interact and cooperate with multiple organizations and individuals.

## **The Formation of Infinite Sports Team**

### ***Staff Members***

When Infinite Sports started in 2006, it employed a staff of four. Jason recruited them through his personal connections, (i.e., college varsity teammates). As the business and reputation of Infinite Sports took off, the company started attracting more people with a passion for tennis who wanted to work for Jason. With the monthly Adidas Cup and the increase of tennis product sales, Infinite Sports was able to gradually expand its size. At the time in 2010 when Jason announced his international tennis event, Infinite Sports employed eight people. Four operated in Taichung, handling the sales and the tennis center. The other four operated out of Taipei, handling the marketing, public relations, and the registrations for the monthly tournament. From the beginning, Jason had only a few requirements when hiring his employees, the most important of which was that they have a deep passion for tennis.

The first team of Infinite Sports possessed chemistry and were all possessed of a deep recognition and identification about tennis. After the 2008 Davis Cup with Australia, however, one of them wanted to become a professor and another one wanted to be a teacher. Both left the company at the same time. A second team was formed in 2009 with new staff members joining because they knew that Infinite Sports held the Davis Cup. Moreover, they shared the high expectations of Infinite Sports' vision. There were two staff members, Yuki and Stacy, who were hired because of the "College Student Program," which was subsidized by the government. Though they knew little about tennis, they were really focused in their work and did it well. For Jason, however, Yuki and Stacy lacked passion for tennis.

Jason now, in March of 2010, had to expand his team. He needed a team large enough to handle the major undertaking of a four-day event that would have more than fifteen thousand turn out in two cities in Taiwan. The current team was young and inexperienced at hosting a large tennis event. The first step was for Jason to recruit senior managers who had more experience and the capability. They needed to be able to handle diverse situations such as public relations, marketing, and general operation and logistics.

By May, there were only seven staff members including two interns in the Taipei office. These people handled marketing, public relations, and monthly tournaments. In Taichung, there were still only four. They handled tennis product sales and facility/membership management. Most of the staff at that time had just graduated from college. Only one of them had participated in hosting the 2008 Davis Cup. To hire someone he could trust and who was capable of managing the team. Jason needed someone he already knew. The first person Jason thought of was Andy.

Andy joined Infinite Sports because he enjoyed the excitement of hosting a large-scale event. Not only that, he owed Jason a favor. Until two months before the event, Andy was only coming in to the office twice a week. Having a master's degree in accounting, Andy was put in charge of all Infinite Sports' financial management; he also handled the logistics of the event. Finally, Andy helped Jason negotiate and communicate with shareholders, sponsors, and governments.

After Andy, the second option for Jason was Rebecca who, during the 2008 Davis Cup, had worked with Jason as the director of the public relations sector. Rebecca at that time had been working at another sport marketing company, CL Sport Marketing. CL Sport Marketing served as a contractor for Infinite Sports during the 2008 Davis Cup handling public relations affairs of the event. The CEO of CL Sport Marketing, Lee, was a close friend of Jason. When Lee discovered that Infinite Sports was going to host the 2008 Davis Cup and needed some assistance from him, he consented to letting Rebecca help Jason out since the event was held during the Chinese New Year vacation. Rebecca had many years' experiences with sport reporters in newspaper companies as well as TV stations in Taiwan. Jason knew that Rebecca's connections with reporters could help the event when it came to public promotion. When Jason called Rebecca in 2010 to ask her for help with his newest project, she was between jobs as a freelancer. She immediately accepted the offer and agreed to help Jason until the event was finished in January 2011. Although Rebecca was still debating whether to be a freelancer or to find a full time job, she saw this as a calling and knew Jason needed her help.

A month later, Rebecca was assigned a manager position in public relations. The other two staff members in the public relations department were Mike and Emily. Not

surprisingly, Mike was another member who was hired based on his admiration for Infinite Sports' mission after hosting the 2007 Taiwan Challenger and the 2008 Davis Cup. His dream job was to become a sport reporter. He thought it amazing what Infinite Sports was doing for Taiwan's tennis development system. Although his degree had nothing to do with sports, he knew he had to be a part of Infinite Sports. With his military service nearly complete in late 2008, Mike sent an email to Jason expressing his admiration of Infinite Sports' vision and accomplishment. He also let Jason know how he wished to work for him if any job vacancy came open. Two months later, Jason contacted Mike to help his company write press releases for a small tennis event. Jason was satisfied with Mike's work and hired him as a specialist in public relations. Mike was responsible for preparing press releases, event reports, and maintaining the social networking media for Infinite Sports.

Infinite Sports was still without a marketing manager. Rebecca was thus forced to cover some marketing tasks in her first few months at Infinite Sports. This went on until September 2010 when Lin and Allan joined the team. These two handled the marketing and international affairs of the event. A cousin to Jason, Allan joined Infinite Sports as the International Affairs Manager, mainly in charge of anything and everything related to English communication. This included writing English proposals, news translation, ads, and so forth. At the same time, Lin, Allan's girlfriend, was also invited by Jason to join Infinite Sports as a secretary to assist Jason in schedule management. Allan reported,

I alone was initially requested to assist on a PowerPoint presentation and preparation to be used in the TEDxTaipei event. After the PowerPoint was completed, since both of us were at the office at the time, we were both asked to



join Infinite Sports with the main purpose of helping out the Rise of Legends 2011 event.

After two weeks working as Jason's secretary, Lin proved her worth not only in schedule management but also marketing. Jason made her the manager of the marketing department.

As for the sales department, Ella who served as a summer intern in the tennis shop was promoted in early 2010 to a full-time employee to assist another staff member, Ben, with the growing sales demand. Later in June of that same year, right before event tickets went on sale, Jason hired May and Sandy for the upcoming event. Ben knew that he needed the extra personnel for the event and since these ladies proved themselves very capable of finishing the job, Ben, with a sense of relief, promoted them quickly to full-time employment. Ben believed he could finally take a vacation.

What should be stressed, however, is not the fact that these ladies were given the jobs but *how* they were selected. Just as with how Jason had hired previous employees, these were hired based on their connections with already established staff members. Sandy was hired based on the fact she was the sister of one of the coach's girlfriend and the fact that she had two years experience in a sport retail chain. The coach introduced Sandy to Jason and since Jason already had confidence in the coach, he decided to hire her. May is the sister of the already established staff member Yuki. Because of her excellent performance as a part-time employee, Jason offered her a full-time position in the sales department.

At the time of the event, there were in total 25 employees including 19 full-time, 3 part-time, and 4 interns. The average age of the team was less than 25. The average amount of work experience was less than two years. In this young and energized startup

company, the interactions between the staff and CEO were intense and interesting. Before going further, however, it is worth mentioning some other important individuals. These had implicated influences on the interaction between the staff and the CEO and included coaches and some other third-party individuals close to Jason.

### *Coaches*

For a long time, a serious issue in Taiwan's tennis industry had been a lack of professional tennis coaches and training system. Most youth tennis players in Taiwan are coached by their parents through unsystematic and unscientific training methods. Taiwan of course has some national certified coaches. However, these coaches are still employing methods taught them thirty or forty years ago. As a result, injuries or drop-offs are common for many talented Taiwanese tennis players. Jason had mentioned at one point how many Taiwanese coaches speak no English. This makes it harder for them to understand and learn new techniques improved upon by the western countries. What's most astonishing is that the CTTA does not take full responsibility in training or educating certified coaches. Jason also claimed that he wouldn't be surprised if there were less than five certified coaches who could speak and understand English at a decent level.

For Jason, the key factor in nurturing a productive tennis development system was to ensure a high quality coach and training system. Jason decided to put in action his new ideas with the youth players already contracted with Infinite Sports. He recruited as coaches three former Taiwanese Davis Cup participants. He provided training resources and traveling expenses for two youth talent tennis players. He also brought in several

international sporting brands, like Adidas, Wilson, and HEAD to sponsor these players with the companies' tennis rackets, clothes, and shoes.

To improve the level of professional tennis coaching in Taiwan, Jason invited active tennis player Randy's coach, Randolph, to come to Taiwan. Infinite Sports put on four 1-week-long training camps between 2007~2009. Here professional tennis players, elite youth players, and their coaches were provided the latest coaching knowledge. Jason was disappointed, however, with the feedback he got from players and coaches. The problem with professional coaches, according to Jason, was that they not only were ignorant of new techniques but didn't necessarily want to learn them.

Five coaches in total were associated with Infinite Sports. Three of them were full-time coaches, the other two part-time. These coaches were not employed by Infinite Sports but contracted, splitting the tuition with Infinite Sports. Three of the coaches acted as consultants, getting involved in Infinite Sports' business strategies and activities. Coaches Chang, Chung, and Liu, all former Taiwanese Davis Cup players shared Jason's vision. They wanted to help him accomplish his dream. Coach Chung and Coach Liu were both teaching PE classes, specializing in tennis, at a university. Coach Chang was serving as the coach for youth tennis players signed by Infinite Sports. Mary most often interacted with the coaches:

I think those three coaches have something in common. Their vision and logic are different from other coaches in general. Other coaches just focus on amateur tennis players but these three coaches in Infinite Sports focus on holistic tennis development and apply this concept when they coach. The three core coaches of Infinite Sports think internationally while other coaches only think about making money from coaching. They have vision and passion, which differentiate them

from other coaches. These three coaches and Jason are good friends and share the same vision and goals.

Jason and these three core coaches shared a vision and also resources. For example, the umpires and other temporary staff needed for the monthly Adidas Cup came from the tennis varsity directed by Coaches Chung and Liu. Infinite Sports got a better price when it came to renting courts for the Adidas Cup by using Chung and Liu's university as the host. The coaches in turn benefited by gaining merit credits because of the university-industry liaison. These coaches were proud of being part of the WishTennis program. They were also proud of the effort they put into reforming Taiwan's tennis development system. Mary described how the coaches made sure to interact with many of the participants, professionals and amateurs alike. She also admired the coaches for training amateur players in the scorching sun and giving every appearance of being happy to do so. Winning, for them, was not the key; the key was improving the players and the tennis system.

Jason and those three coaches had, in addition to the Adidas Cups, more interactions and resource exchanges because of the exhibition event. This was especially true regarding volunteer recruitment. For the two exhibition events, there were nearly 250 volunteers. Most of these volunteers were college students in sport management-related programs from five area universities. One university was chosen for its volunteer experience with tennis events. The four other universities were chosen for their connections to Jason. Andy had explained the different relations amongst the universities to Jason and why they decided to choose them for volunteer work. The bottom line was the company exhibited a tendency to hire people they had connections with and could

trust. Even if the connection to Jason was not direct, being connected at all was a priority, sometimes over experience.

These coaches, besides providing volunteers, acted as consultants. They received highest priority passes for the event, so they could literally go into any restricted areas. They were also invited to the dinner party and could bring a guest. Jason treated them like buddies, not merely business partners or contract coaches. After all, these coaches shared more than resources; they shared Jason's vision.

### ***Significant Third Parties***

There were several individuals who had great influence on the daily operation at Infinite Sports as well as at the international exhibition event. According to Andy, Jason asked some of his friends to help to compensate for the young and inexperienced team. The first one Jason invited was named Heidi. As an accountant at an international corporation, Heidi not only provided financial recommendations but also financial support for Infinite Sports. She was in charge of their financial allocation as well as fund procurement. Heidi had great passion for tennis, too, and she even hired a personal tennis coach to improve her tennis skills. Since 2008, Heidi had continuously participated in the Adidas Cup. She admired Jason's courage and ambition to cultivate tennis in Taiwan. After becoming a friend of Jason and seeing the financial issues of Infinite Sports, she stepped in to help.

Heidi was also good for emotional support. Andy emphasized her importance. She had, for a long time, provided major financial support to Infinite Sports. She also had international business experience that Infinite Sports needed to give a proper reception to those international tennis stars. The key reason, however, that Heidi took care of the

players' reception was because as the event approached, Jason trusted no other staff member to carry it through. Another reason Heidi was so important was that no one else had even considered the task of the players' reception in the original plan of the major event.

I discovered all this only after becoming a project manager following the event. I had interviews with Andy and Mary whom were responsible for the financial management of the Infinite Sports. Heidi seldom showed up in the office or participated in any internal meetings. I mainly saw her only at the Adidas Cups. Always in her tennis gear, she would be excited about her up-coming matches. Heidi was (still is) enthusiastic about tennis. She converted this into directly supporting Infinite Sports. Nevertheless, Heidi recognized a line she dare not cross when it came to making direct decisions. Mary remarked once:

I don't think she is involved in any decision making in general except in the financial area because that is what she is good at. She works for a big company and she knows how to do things more financially efficient, like tax saving. She will try to apply it to our company. So we need to generate financial statement for her and Jason every week and she will calculate and maintain the cash flow.

The second person invited by Jason to help the team was Hebe. Hebe was a sports reporter with almost 20 years experience. She had worked for the largest newspaper company in Taiwan and specialized in sport news, especially tennis. Jason had known Hebe since the 2008 Davis Cup. Since then they had kept in touch, trading opinions about Taiwan's tennis news. Five months before the exhibition event, Hebe was working as the PR specialist for a rival tennis event promoter . However, Jason still asked her to help Infinite Sports in writing some news for the monthly Adidas Cup and about the upcoming

event. Jason also asked Hebe to assist Rebecca with the reception of reporters during the exhibition event. Hebe agreed to help but secretly so as to avoid any conflict of interest with her current company. Hence, Hebe was contracted to write for Infinite Sports, alleviating Rebecca of some pressure. According to Rebecca,

Actually Hebe came to support us with news writing because the load was pretty heavy when it came close to the event. We needed to provide event-related news everyday and sometimes we had to generate three news articles in one day. Besides the exhibition events, we also needed to cover the Adidas cup. Thus, we assumed Hebe as our contracted news writer. Our team would set up the topics of the news for the following week and she was supposed to write it out. Hebe would then email her draft to me and then I would check any typos, missing or misleading information that needed to be corrected. I would publish the news once confirmed.

Although Hebe stayed low-key before the event, she got more into the action as the exhibition got underway, especially at press conferences. Jason wanted her to utilize her good relationships with other reporters so she could take good care of the reporters before, during, and after matches. Hebe served as an unofficial window for those reporters who had any special requests during the event. Andy said it came as no surprise since she was good and experienced in her field.

The last close friend of Jason to join the team was Susan. Susan served as the event's director, being in charge of the two dinner parties the nights before the exhibition matches. Besides taking care of the dinner parties and the event, Susan, the CEO of YEF, also used her personal connections to help Jason with acquiring sponsors. Unlike Hebe and Heidi, Susan came to the office just two weeks before the event to discuss with

marketing teams the personnel, equipment, and run-down of both dinner parties and the exhibition event. More than discuss, Susan more rather taught and guided the marketing team so that it could polish the run-down and personal/equipment arrangements. Ben worked with Susan the whole time and served as her assistant, helping her acquire and confirm all the resources she needed. Ben said,

I was responsible for the planning of the dinner party and Susan from YEF lead their crew to execute the plan. I only assisted her and her crew to understand the content and procedure of the dinner parties as well as prepare all the equipment for the dinner parties, such as the products signed by the players...The rundown of the exhibition event was also provided by me but she modified it. During the event I was responsible to make sure everything was on track. Susan is the director so she made sure the rundown I provided was good. Once she confirmed it, I would go check all the timing of the lights and the exact time needed by each action. I acted like her first assistant. If she found out the towels weren't enough, I would get more towels. I needed to check whether the players were ready or not, and she would go check again for her own peace of mind. But our jobs never overlapped; she controlled everything.

Ben always made sure to state the importance of Susan and how her controlling nature benefited the company. Although she may have over-performed many of her tasks or assignments, it was because of her leadership and control that the dinner parties and other events ran smoothly and cooperatively. Without her help, Ben wouldn't have known whom to turn to in a time of need. Jason brought in these three influential third parties to assist the young and inexperienced team. Despite Jason's good intentions, this



move created friction due to the lack of communication among Jason, the team, and these three outsiders.

### **The Interactions among Internal Stakeholders**

I joined Infinite Sports about a month before the event. I acted as an intern assisting Andy with volunteer training and ticket sales. I also helped with venue set-up and audience control during the event. A month following the event, I was designated project manager to monitor the on-going projects and create new projects with the summer interns. In carrying out these tasks, I had plenty of opportunity to interact with other staff members, interns, volunteers, customers, spectators, and some contractors. Even in my first week, I could definitely feel the passion as well as the tension that existed between my fellow coworkers and Jason. The passion of the team stemmed from their love of tennis, as well as their excitement and proudness of being part of such a company that was holding such a historical event in Taiwanese history. The tension was born of the tremendous pressure of the upcoming event and also of the antagonism between the team and Jason.

I first noticed the tension present in the working atmosphere when Jason was in the office and compared to when he was out. While out, the atmosphere in office was free and easy. Although everyone was under tremendous pressure, they would try to relax through casual talking and joking with each other. However, when Jason was in the office or even calling back to the office from outside, this atmosphere evaporated. People had to talk and laugh quietly. Interestingly, the antagonism contributed to the formation and enhancement of the group cohesion among the staff members to accomplish such a huge tennis event. I began to realize the antagonism resulted from a number of factors: the way

that staff members were recruited, the temporary nature of the event organization, the influences of the third parties, and the leadership style of Jason.

Jason had recruited most of the employees about six months before the event. They were passionate about the vision of Infinite Sports as well as the upcoming tennis event. Most of the managers, such as Rebecca, Andy, Lin, and Allan, joined Infinite Sports to do Jason a favor. Although they were all excited about the up-coming tennis event, they understood their positions were only temporary. They decided to assist Jason mostly on the basis of participating in such a historical tennis event. However, because of this type of unofficial recruitment process and the help-oriented attitude, a unique interactive mode was created in-between the team and Jason. Andy compared the dynamic to that of a family as a metaphor for what was going on between the staff and Jason.

Jason was the father and the rest of the staff served as supporting family members. Everyone has a specific role and everyone wants to do their best in order to make the head of the household happy and satisfied with them. However, because of the temporariness of the situation, it causes the rest of the family to want to conspire against the head of the household. He is the enemy and if we do our best together, we'll be done with him after the event is over.

Andy forewarned me that I would easily feel the strong team cohesion amongst the staff members aligned against the CEO. Not a day went by without my hearing someone say: "We'll be free after this!" Rather than passive cooperation with Jason, the staff in fact all wanted to go above and beyond what was expected of them. Rita mentioned that the team spirit of the staff could not be matched by anyone else. According to Rita,

It would be hard to find any other team with the same characteristics this team shared with one another. This was a once in a lifetime event and therefore going above and beyond was needed in order for it to be successful.

In addition, many of the employees were new and fresh out of college. This was their first job, so working late hours and maybe not getting paid was okay with all of them. What really caused the tension to rise, however, was the addition of third party members and the staff not knowing entirely what roles these add-ons would be performing. Some of the staff felt betrayed, surmising that Jason considered them to be underperforming. In addition, some of the third party members, such as Hebe, got along poorly with the other staff members.

Hebe, recall, did not integrate with the team before the event. Jason, thinking of her experience as a reporter, asked her to help the PR team at the press conference. Although the PR team knew Hebe was coming to help, Jason never alerted them to what her role was going to be. Jason just wanted the team to cooperate with Hebe and fulfill all her requests. Jason knew the last thing Infinite Sports needed was to offend the reporters on its first press event. Jason needed those reporters to generate positive exposure for the event. He also knew how tricky it could be handling reporters. Jason thought that bringing Hebe into Infinite Sports could serve as a bridge between the PR team and the attending reporters. His approach worked; the attending reporters were satisfied. This came at a cost—a distrustful and antagonistic relationship between the team and Jason. Andy gave an example of how Hebe influenced the team dynamic,

Including both events in Taipei and Kaohsiung we have restricted policy on distributing PR tickets because of the insistence of Jason. But at the event there was a reporter who argued with Jason about the PR tickets distribution for writing

reporters and Hebe showed her support with the reporter. Therefore, we had to print out hundreds of PR tickets for those reporters so they could sit in the arena watching the event. This was supposed to be prohibited.

Rebecca interacted with Hebe directly during the event; she also described an unpleasant experience,

She was familiar with those reporters and because of that something awkward happened. Originally we assumed she was just our contracted writer. Nevertheless, she thought she knew those reporters very well so she mentally gave herself the power to decide a lot of things like PR tickets, food, and time for dinner, etc. She got confused about her role and sometimes when she claimed there were complaints from the reporters, there actually weren't. These behaviors bothered us sometimes... Even though Jason knew what was going on, he did not try to fix the problem. Jason would rather believe what Hebe said and blame us without any clarification. It was painful for me during that period of the event.

These incidents that happened in the first event in Taipei not only influenced Rebecca's and Andy's moods but also that of the whole team. Similar situations also happened with Heidi when Jason asked her to be the reception representative for the tennis stars. Apparently during this historical event, Heidi and some of volunteers directed by her had collected signatures from many of the tennis stars during the event. This prohibited for any of the staff. Worse, it was unprofessional. However, Heidi considered her only boss to be Jason; she saw no harm in what she had done.

Mike related a similar situation when Randolph asked Jason to adjust the procedure and content of a press conference ten minutes before it was to begin. Jason was in the habit of completely trusting his third-party members based purely on their

background knowledge and experience. So if they asked him if they could change something or make an adjustment, he trusted them over his other staff members and would let them do whatever they wanted. This gave people such as Randolph, Heidi, and Hebe the nonverbal authority to do as they pleased.

Although people had notified me about their personal discrepancies with third party members before, I had never witnessed it firsthand until I had to interact with one of the coaches. It was during the second event at Kaohsiung. I was responsible for audience control. I dealt with customer complaints and handled any audience-related situation. We had strict gate control to prevent fans from going into restricted areas, like trying to obtain seats in higher-priced seating areas. During a break in the second match, I was called on my walkie-talkie by one of the volunteers, exclaiming a man was trying to slip his friends into the higher priced seating area.

During the volunteer training, volunteers were told that, no matter what, only people with eligible tickets or passes could get into certain areas. My hands already full with a customer complaint, I asked Andy to check it out. Andy discovered it was one of our coaches causing the uproar. The coach wanted to treat some of his students to the matches, thinking it okay since he had a high priority pass. The volunteer was powerless to stop it and had allowed them in. Soon after arriving, Andy got a call from Jason, angrily saying, “I got a customer complaint about a group of people moving from lower price seats to higher price seats. Can you tell me what happened?”

When Andy told Jason it was the coach and his students, Jason asked Andy to solve the problem immediately. To avoid offending either the coach or stirring up the audience, Andy printed out new tickets for the coach and his students, so they could

officially upgrade their seats instead of having to sneak around. How Jason responded to the incident angered Andy, fueling the tension between him and Jason. Andy felt Jason was being too lenient with the coach. Instead of handling it like Andy thought he should have, Jason dumped it on Andy to avoid any trouble himself.

These third parties definitely provided instant help for Infinite Sports but at the cost of aggravating tensions between Jason and the team. When anything controversial occurred, the team was frustrated and disappointed with how Jason reacted and responded to these extra members. Jason still believed that bringing these experienced people in to help the team was the right decision and the whole team should be thankful for their help. However, distrust and feelings of being wronged accumulated. Eventually they would erupt at the end of the event.

Nearly half the staff members quit right after the event. Three months later, three-fourth of the remaining staff left. A year and a half after the event's completion, there were only two staff members who would work with Jason for the next exhibition game in May of 2012. Mike, who was there longest, left the company three months after the event. He witnessed the growth of Infinite Sports and how Infinite Sports had pulled off its monumental event. He still remembered his reason for coming to Infinite Sports: for the reconstruction of Taiwan's tennis development system. Mike was emotionally attached to Infinite Sports and wished Jason could keep up with leading Infinite Sports to accomplish its dream. However, Mike chose to leave because even though he still believed in the vision of Infinite Sports, he could no longer handle working for Jason. He also had another route to take for his chosen career path. Mike worried about Jason and the future of Infinite Sports.

After the exhibition events, most of the staff left because of the disharmony with the CEO. I left Infinite Sports not only because my disagreement with Jason but also because I wanted to do something else. I believe that a lot of staff left because they disagreed with Jason's managing style, too. They were not disagreeing with Jason's vision but the way he managed and led the team. Maybe they could not adjust to Jason's leadership so they chose to leave. I believe Jason may acknowledge that this is the way many of his previous staff may have felt, but he has not realized the reality or consequences that occur because of this. I am the last staff member leaving Infinite Sports. Even though the event ended, I stayed in Infinite Sports for over two months because I really do believe in Jason's dream. I think Jason must be experiencing tremendous stress from the financial loss of the event. The stress might influence his future judgment and now that all the managers are gone, no one can give him proper advice as to what he needs to do in order to succeed. Without any advice from other people, I am very worried about his business judgment.

Besides the conflicts with third parties, the way staff members were recruited also contributed to tension between Jason and the team. Most managers who Jason recruited before the exhibition event were either his friends or relatives. To a large extent, these managers joined the team because they were friends of Jason and wanted to help. Going from friends to a relationship of employer-employee caused confusion and contributed to event conflicts. Jason expected more sacrifice from them; they expected more respect from Jason. Sometimes Jason talked to them as friends and sometimes as employees. It was hard for both Jason and managers to adjust to their shifting roles. Misunderstanding and bad feelings caused by role conflicts amassed and after the event came to a head. All

mangers exited the company right after the event save Andy. Andy promised Jason he would stay as a part-time employee until Jason found a replacement manager.

Jason discussed the conflicts and tensions between him and the team. He admitted that there were some arguments and disagreements. The team saw issues with different attitudes. Jason related when he and Allan, just before the main exhibition event, quarreled over lowering the ticket prices.

Ticket sales were meager and Allan believed it necessary to lower the price to compensate somehow. Jason insisted that the company could not do such a thing. He was planning on holding another event within 16 months. If he lowered the price, fans would wait until ticket prices dropped. Allan, on the other hand, thought the company should wait a long while before trying to hold another event. Allan wanted to save as much money as the company could from this failing event and try again maybe at a later date. Jason acknowledged that both lines of reasoning had their merits. Allan was focused on a short-term goal and Jason on the long-term goal.

Jason conceded that he felt bad about it all. Allan and he used to be such close relatives and now barely spoke to one another. Jason learned three critical lessons, he said, from working on this big event. First, never hire relatives again. Severing ties because of arguments and difference in thinking was just not worth it. Second, make sure his team of employees had very similar if not the same type of thinking Jason currently held. He wanted to avoid fighting when a critical move or situation was at stake. Lastly, he must promptly deal with unfit employees. He acknowledges that maybe using Hebe was a mistake because she just couldn't integrate with the team. Yet he really had no



choice; she was excellent at quickly solving problems. He always had doubted that Rebecca could handle her job all on her own.

Jason realized that he would need to form a new team for his second exhibition event 16 months later. He knew he had to avoid the pitfalls of the first go-round. Jason concluded that he needed to find people who were not just interested in sports or sport events but who really had a passion for the improvement of the tennis development system in Taiwan. He knew that only a person dedicated to tennis could really see the same vision as him and work for him down the road. He believed that working in a sport industry and having a passion was more important than professional ability. Jason stated that people such as Lin, Allan, and Andy were great employees. They had previous experience in their fields and a matchless academic background. They lacked, however, basic comprehensive understanding and recognition for the tennis development system. Though without them, it would have been nearly impossible to have held the event, because of their lack of understanding, they would never stick with the company.

About a year prior to the second exhibition event (May 2012), Jason started looking for his new staff. His criteria? A passion for tennis. Jason believed that if his employees have the same passion as him for tennis they would be more motivated and work more efficiently. Thus, Jason eschewed the regular recruiting methods—newspapers or human resource services. Jason decided to recruit his new staff from Facebook. Infinite Sports' Facebook's page, established in April of 2010, had by April of 2012 more than six thousand followers. Jason posted hiring information on the Facebook wall of Infinite Sports as well as his own Facebook account. He wished to reach people who not only had a passion for tennis but also agreed with Infinite Sports' vision. Above

all, he wanted people who appreciated what the company was trying to do for Taiwan's tennis development system. Notwithstanding the risk of hiring unprofessional people with not great work experience, passion, for Jason, was the main goal. If he could find truly passionate people, then the tedious work that needed to be done could be accomplished easily. Jason's only real worry was that he would be able to find such people. After hiring many of his new staff, Jason was able to tell right off a difference.

Actually the difference between the team right now and the team for our last exhibition event is that we have more staff really interested in tennis. I am not sure about the professional capacity for now because I have to wait until our next exhibition game is over. I think the last team was professional enough. I can't say they were perfect but I could feel their commitment to the event. Unfortunately they were only dedicated to the event, not to the company or the whole tennis industry. I hope the new team can have a broader view of the company and the whole industry, instead of just the event.... So I have to explain to them about the meaning behind everything we do. I was too busy before and did not have time for group communication. Now I will communicate with the team every chance I get. Talking more instead of saying nothing is what will greatly improve the tension between the team and me.

### **The Interactions with External Stakeholders**

To acquire the necessary resources, Jason again needed to interact with many organizations. These organizations included the city governments, the Chinese Taipei Tennis Association, partners, event sponsors, and the followers.

### ***The City Government***

Both of the event venues for the exhibition events had been built by the city government and managed by private companies. Although the government owned the venues they were managed by and contracted privately. For around 10-15 days a year (depending on the contract), the city government retained the right to freely use the venues for government-sponsored events. Jason wanted to acquire the government's endorsement of Infinite Sports' events so the rent for using the venues might be reduced or even waived. Both cities were under similar conditions regarding the management of the arenas. However, the city governments of Taipei and Kaohsiung tended to have a different view about endorsing private events.

To get a rent reduction from the Taipei arena, Jason, through official channels, first got in contact with Taipei's government. About six months before the event, Jason submitted an official letter to the Taipei Sports Office of the Taipei City Government. The official letter stated the intent of the upcoming international tennis exhibition event and requested the city government to sponsor it by waiving or reducing the rent. For the Taipei city government, however, such a tennis event was just one of dozens of international events hosted in Taipei each year.

Furthermore, the event was not a "charity" event. It involved for-profit ticket selling, so the government could provide only limited administrative resources for the event. They could, for example, provide police to ensure the security of the tennis stars and of the event. They could run advertisement in the daily newspapers issued by the Taipei government; and they could distribute event posters to public high schools. The Taipei City government turned down Jason's request. Jason did not give up. He visited the director of Taipei Sports Office and asked, in person, for more support from the

Taipei government. To no avail. Andy attended the meeting with the officials at the Taipei Sports Offices.

It was around June or July. We issued an official letter and submitted it to the Taipei City government for governmental support. They replied that because the event was profit-oriented and the ticket price was higher than NT\$800, they could not endorse it. According to the purchasing law, the government can only provide administrative support, not waiver or deduct the rent which was only suitable for charity events. Later, we visited the Taipei Sports Office in person and the director told us, “There are many events hosted in the Taipei arena and we will not make an exception just for you!”

Jason was very upset. To him, the upcoming tennis exhibition event was unique. He believed that the event could draw attention from sports media all over the world and enhance Taipei’s image globally. However, the Taipei government only took it for another business event. Nevertheless, they were still willing to provide administrative assistance.

Jason could not abide the city’s attitude. He made a press release regarding the Taipei City Government’s passive attitude toward the international sports event. This public exposure froze the relationships between Infinite Sports and the Taipei City Government. Once the media stepped in, there was no room for the government to negotiate or maneuver. Everything had to follow the letter of the law. The Taipei government did not want to get into any trouble or get accused by favoring a specific private company. Thus, the negotiation process ground to a halt for almost four months following the incident.

A second negotiation with the Taipei City Government occurred about two months before the event. The director of the Taipei Sports Office suggested to Jason that he prepare a sponsor proposal to the mayor's office. It should include a sponsor package with the equivalent value of the total amount of the rent fees for the use of the Taipei arena. So Jason and his team created a proposal with a value equal to NT\$3 million and submitted it to the mayor for approval. Jason also ended up finding a city councilor who was close to the current mayor. Jason asked him to persuade the mayor to endorse the event. The vice mayor, however, had resigned in October and the timing of this proposal was too close to the upcoming election in November. Passing this controversial proposal would not have been good for the next reelection period. The second negotiation thus also failed.

A third meeting with the Taipei City government was arranged about two weeks before the event. Through Allan's father, Jason found a city councilor who could help lobby the proposal to the vice mayor, a man with the power to make the decision. The new vice mayor still insisted that, because the restrictions of the government purchasing law, the city government would not waive or drop the rent. The vice mayor tried to "teach" Jason how to negotiate with those tennis stars to save some money or how to host some fundraising events to defray costs.

Annoyed, Jason broke off negotiations. Because the timing was so close to the event and all the preparations had been set, it was too late to pull the Taipei City Government from the sponsor list. In the end, the Taipei City Government enjoyed all the benefits in the original proposal while providing minimum resources. As described by Andy:

The third meeting with Taipei City Government was still in vain. We ended up provoking each other instead. So they took all the benefits from us with limited cost. The vice mayor still attended the dinner party and the mayor still tossed the coin for the opening match. They only provided administrative support while greedily accepting all the benefits we offered in the original proposal. It was like a wrestling game with us being the small guy who gets destroyed by the huge guy. We thought the Taipei City Government would give us some “mianzi” because of the reputation of the tennis stars we invited as well as the promotion of the international image of Taipei City. The city government only thought we would end up bringing trouble for them and therefore only did what they could that was legally acceptable. They didn’t care if it was enough help or not as long as a bad image was not reflected upon themselves.

The Kaohsiung city government was more welcoming and more willing to go further with their support of Infinite Sports. Since the successful 2010 World Game, the Kaohsiung city government realized how holding an international sports event for positively impacted the city’s image. In addition to the administrative support, the Kaohsiung City Government waived the rent for using the Kaohsiung Arena. They were able to do this because the contract they signed with the arena management company differed from that signed by the Taipei city government.

In Taipei, the city could only use the arena when the management company agreed. The management company also the one to decide whether the event qualified for the 10-15 days of free usage. In Kaohsiung, the city was free to use the arena any 10 days out of the year it wanted. Also, when it came to what qualified as charity events, the contract was more vague than that of Taipei’s. However, with Kaohsiung’s vagueness, came some controversy. The Kaohsiung government had to explain to the arena

management what was specifically going on when the city wanted to hold an event and the length of the event. Thus, the situation with the Taipei arena management company was quickly taken care of, at a higher financial cost to Infinite Sports. In Kaohsiung, the situation remained open and even half a year after the event had ended was still not resolved.

The reason was the Kaohsiung City Government failed to clarify the length of the event's occupation. For the government, the event was a one-day affair but for the management company, it was a three-day affair, including one day for setting up and one day for cleanup. Although Infinite Sports saved on their rent, the fiasco damaged the trust between them and would impede future collaboration. When it was all said and done, Jason felt frustrated. He was beginning to realize that to conduct such big events, he would have to finance it mostly on his own: any government assistance should only be looked at as a bonus, rather than a necessity. Jason still believes to this day that the government's role should be more like a bank that can provide financial support for athletes or sports companies. If they did this, private companies such as Infinite Sports could take over and help the development system of sports in Taiwan.

That being said, the Taipei City Government did have a history of sponsoring sports events. These were limited, however, to baseball and basketball. In 2010, for example, the Taipei City Government waived the fees of using the Taipei Arena when they sponsored Yao-Ming's charity basketball event. The event attracted about 10,000 people and raised a huge amount of money for the Yao Foundation, dedicated to the youth education in China. Although it was a charity event, it technically should not have

qualified for a rent waiver according to the contract between the Taipei City Government and the Taipei Arena Management Company.

According to the contract, a charity event which receives a rent waiver must be free to the public or the ticket price must be lower than NT\$800 (around \$25) but the average price of the basketball event was over NT\$2000. However, because the mayor of Taipei City loved basketball, he granted the exception. City councilors from the opposition were soon questioning the Mayor about why he had used tax money to subsidize a price-selling event, especially one with high-priced tickets. Because it was the first time the Taipei City Government subsidized a ticket-selling event, the mayor's office was unfamiliar with the details and consequences of the relative law. The mayor found himself, right before his re-election, in an awkward position. After this brouhaha, the Taipei City government grew extra cautious about sponsoring sports events that sold tickets.

This is what led to the government's intransigence when dealing with Jason's requests. Jason's reaction:

The Taipei City government does not care about sports. Kaohsiung City government, however, does care about sports and demonstrates this willingly, but the financial support they can provide is still limited. However, both of these cities' governments did put a lot of money into baseball events because they think baseball is more popular in Taiwan. These city governments are more conservative about tennis, so I do not expect to get any great financial resources from their respective governments. Doing so would almost be impossible.



### ***The Chinese Taipei Tennis Association***

Jason had experience working and negotiating with the Chinese Taipei Tennis Association (CTTA) since 2006 before he established Infinite Sports. The CTTA was established in 1973 as a non-profit organization dedicated to promoting tennis and to improving the quality of tennis competitiveness. The financial resources of CTTA come primarily from the Sports Affairs Council and then from private companies and membership fees. CCTA is responsible for the following tasks: hosting and organizing national and international tennis events, selecting and training national tennis teams, training and certifying tennis umpires, setting and updating tennis rules, evaluating tennis equipment, and tennis research and publication. CTTA is the official tennis organization of Taiwan. It represents the country as it participates in international tennis events, such as the Olympics and other professional tennis events hosted by ATP or WTA. The CTTA, as a national sports government body, is under the aegis of the Ministry of Interiors and directed by the Sports Affairs Council both under Executive Yuan.

Jason has a long history of working with the CTTA. He knew that by co-hosting the exhibition event with the CTTA, they could help him negotiate with Taipei and Kaohsiung city governments and to save on taxes on ticket sales. For a small company like Infinite Sports, the money they could save by cooperating with the CTTA was huge. Andy had said that when Infinite Sports was trying to negotiate with the city governments, the mayors had suggested working with the CTTA, since they were an official tennis organization. However, because of the corruption of the sports government body in general, Jason tried to get around that, even if that meant forgoing the expected benefits.

Jason was thinking about establishing a new tennis association or finding another tennis association (i.e. Taipei Tennis Association) to help Infinite Sports acquire resources from the city governments. Infinite Sports was unable, however, to accomplish this. The Taipei Tennis Association was an empty organization that had been appropriated by a private tennis company for business purposes. So, in the end, Infinite Sports' only option was to cooperate with the CTTA. Cooperating with the CTTA though, meant the imposition of a rule that CTTA would collect 5%~10% out of the total financial resources acquired from the government. Furthermore, if Infinite Sports needed to use their equipment or human resources, Infinite Sports would have to pay CTTA an operation fee. So Jason knew privately that if he needed some professional assistance for the tennis event, he would have to ask for help from some of the staff of CTTA. Because Jason wanted to avoid getting involved with CTTA, Infinite Sports would have to choose a different/more circuitous route to accomplishing some government-related tasks. For example, Infinite Sports could get the working permits for the tennis players faster from the government if it applied for the permits through CTTA. When the relationship with CTTA is bad, a lot of things become more difficult.

Jason, after deep consideration, decided to forgo cooperating with the CTTA, convinced that in the long run such a cost would be greater than the benefits accrued. In a meeting for the strategic direction of the second exhibition event, Jason asked the new crew whether Infinite Sports should co-host the next event with the CTTA or not. Jason brought this up because his father was a friend of the new president of the CTTA. Therefore, limited problems and more benefits may occur. Nevertheless, the corruption was still there and could reflect badly on Infinite Sports and his goals. Also, it would

mean that Jason and his company would owe the president a favor and being in such a position could be disastrous. Jason believed that hosting an international tennis event was part of CTTA's mandate. CTTA should help Infinite Sports as part of this mandate, rather than Infinite Sports having to seek CTTA's help. Jason said:

I think all the sports government bodies in Taiwan have the same problem. They are non-government organizations so they should not act like the government. In order to avoid the responsibility of sports development the National Sports Committee distributes financial resources to these non-government sport organizations. I think the CTTA should sever the role of parent for Taiwan's tennis industry. The CTTA should be responsible for integrating resources, marketing our players, providing the best training programs, and sponsoring potential youth players. But all the CTTA does now is host local tournaments, especially youth tournaments. They make limited profits regardless the quality of the tournament, the capacity of players, and the training circle of players. Furthermore, the CTTA also has some under-the-table deals with certain private companies... Although the new president is much better than last one the team seems to be the same. The president only focuses on acquiring private sponsors rather than details of the operation... The CTTA is undependable and therefore Infinite Sports will not ask for their assistance.

Initially, I was shocked as I discovered the negative interactions between Jason and the CTTA. As I learned more about the CTTA, however, the clearer it became why Jason chose to steer clear of them. Because the CTTA is a non-governmental organization, it is not regulated by the Government Purchasing Law. The CTTA is only regulated by its own committees and members. Thus, the Chief Secretary of the CTTA has the ultimate right of deciding how to distribute their budget, which company they

want to have contact with, and which players they want to sponsor. The following incident is indicative of both their deteriorating relationship with Infinite Sports and their corruption.

CTTA had received a large amount of funding from a government-owned enterprise to support some youth tennis players—three boys and three girls. Jason was invited by CTTA to the press conference. Jason was anticipating that one of Infinite Sports' contracted youth players might win the sponsorship because he was currently ranked number two (age 16-18) in Taiwan. His hopes were dashed. Jason was not just angry but humiliated. He questioned the standards and criteria that CTTA had used during the selection process. He fired off an email to the newly elected president of CTTA, complaining about the unfair selection process of youth players.

Two days later Jason got a reply. The president of CTTA claimed to have no idea about the nomination process of youth players. It was the chief secretary who made all the decisions. The Chief Secretary, it turned, paid no attention to players' rankings, looking instead at factors unrelated to the sport of tennis. Jason saw at that moment that the CTTA remained the same despite having a new president. The new president did acquire more resources from private companies but was powerless at controlling how they were distributed. Jason predicted that CTTA's unfairness would not last forever. Infinite Sports did not need to depend on them since they would not subsidize the players or even sponsor Infinite Sports' players. Therefore, if Infinite Sports' players were good enough, CTTA would have no leg to stand on for how they selected their sponsored players.

Professional and amateur players alike denounce CTTA. Even the private companies who always co-host tennis tournaments with CTTA were dissatisfied. I spoke with the manager of an international tennis equipment brand. To reinforce their brand image, the company, by providing game balls and prizes, sponsored some tournaments hosted by the CTTA. The manager was disappointed with the low quality of the tournament, fearing it may mar their brand image. He heard a lot of complaints from the participants about the quality of the tournament.

Before Infinite Sports was established, CTTA was the only choice for the companies wanting to sponsor tennis events. However, with the birth of Infinite Sports and its success with the Adidas Cups, companies now had another option. During the ten months I worked there, four different sports apparel companies contacted Infinite Sports, hoping to work with them with their own amateur tennis tournaments, similar to the Adidas Cups. The corruption of CTTA turned out to be a boon for Infinite Sports in the sense comparison and competition. Jason admitted as much by saying, “One of the reasons that Infinite Sports exists is because of the corruption of CTTA.”

Because of their deteriorating relationship, CTTA went from a supporting role to that of rival of Infinite Sports. Both organizations now compete for the same resources from tennis participants, private companies, donators, and even the government. However, as long as CTTA remains Taiwan’s official tennis organization, Infinite Sports will inevitably have to work with them, such as when hosting the ATP or WTA tennis tournaments. It would thus behoove Infinite Sports to maintain good relations with them. Rebecca pointed out, “Infinite Sports cannot keep hosting exhibition games every year

and expect to accumulate massive amounts of money. Therefore, assistance from the CTTA is still needed.”

### **The Partners**

Three companies may be considered partners with Infinite Sports. Only one is a sport-related company. These three companies differ from normal contractors because they either share the same goals as Infinite Sports or have some special personal connection to Jason.

#### ***Adidas***

The most important partner for Infinite Sports is Adidas. Adidas provides the company crucial income through sales of its product line at the Infinite Sports’ shop, online website, and on site at the Adidas Cup. Aaron, the marketing manager of Adidas, contacted Jason after Jason’s successful hosting of the 2007 ATP Challenger. In the tennis market, Adidas is considered to have a different marketing strategy from that of its major rival Nike. Nike uses a top-down marketing strategy, mainly focusing on TV advertisements and endorsing the world’s top tennis players . Adidas adopts a more rooted strategy, focusing on the reaching out to and interacting with tennis participants.

Adidas spends a certain budget on local tennis player endorsements and advertising. The company also wants to reach out to the tennis population by hosting or sponsoring amateur tournaments and promoting their products at the sites. By bringing their product directly to potential customers through the Adidas Cups, Adidas was able to improve its market share significantly. I spoke with Mr. Stone, the chief umpire since 2008 of the Adidas Cup, regarding his observations of tennis players’ apparel at Adidas Cups. It seemed to him that more and more people were wearing Adidas tennis apparel or

shoes over the three previous years. Not only were more participants wearing Adidas products at the Adidas Cup, but at other tournaments as well.

The cooperative model between the Infinite Sports and Adidas is simple. Infinite Sports orders a certain amount of Adidas tennis apparel and shoes while Adidas sponsors the prize of the Adidas Cup and provides more competitive pricing on their products for Infinite Sports. Furthermore, Adidas also allows Infinite Sports to do special sales on new arrivals during the Adidas Cup. Infinite Sports is allowed to use the Adidas logo for promotion on items such as coupons and brochures. Because of the strong brand image of Adidas, Infinite Sports was able to establish its own brand quickly and attract more attention from tennis participants. Within three years, the Adidas Cup had become the most popular amateur tennis tournament in Taiwan. Adidas increased its market share in tennis apparel and shoes while strengthening its brand image in tennis.

The partnership also built up the freemasonry between Jason and Aaron. Andy said that because Adidas was a big brand in sports industry, it was much easier to work with them. They were nicer, more open minded and less calculating than other businesses in different industries. When it came to making major company decisions, Adidas tended to operate and think from the positions of Infinite Sports. For his part, Jason knew how to help Aaron and his company by often ordering overstock in case Infinite Sports needed to sell more in their shop or at the tournament than what was anticipated. The overstock did, however, cause some financial problems for Infinite Sports. Regardless, Jason considered it a good way to help build a better relationship with Adidas. Andy pointed out that both companies were interested in the sports business and had similar visions for their

respective companies. Jason and Aaron were thus able to be more than business partners and become close friends.

In the summer of 2011, I had an opportunity to interact with Aaron when Jason asked for my assistance on a new project with Adidas. Aaron wanted to copy the successful model of the Adidas Cup and create something similar for badminton, thereby boosting business sales in the badminton market. As successful as the Adidas cup had been, Taiwan had only about fifteen thousand active tennis enthusiasts. As for badminton enthusiasts, Taiwan had closer to two million. Aaron wanted to launch, in 2012, three Adidas badminton tournaments for college students in the north, central, and south of Taiwan. I would be responsible for this new badminton project. Aaron ordered me to lead three interns in preparing a detailed proposal, including dates, locations, rules, prizes, and a budget.

This project had the potential to be a watershed moment for Infinite Sports. It marked the first time Infinite Sports would attempt to delve into other sports. Jason took it very seriously, hoping that Infinite Sports could further strengthen its relationship with Adidas. During the first meeting with the Aaron, the Adidas team and I exchanged our information and opinions about the badminton market. Adidas' goal was pretty straightforward: to increase the sales of their badminton products.

During the meeting, the closeness between Jason and Aaron was obvious. Aaron was like an older brother to Jason. He provided him constructive suggestions about Infinite Sports' marketing strategy and offered any resources that Adidas could provide. Aaron was even willing to let Jason find other title sponsors to replace Adidas, as long as



the sponsor was not a sport-apparel-related company. It surprised that for hosting the Adidas Cup, no formal contract bound Infinite Sports to Adidas.

In fact, most decisions and agreements were oral agreements or made through personal discussions between the two men. Because of this, I had to constantly check in with them to clarify what the team and I could and could not do. After Jason and Aaron signed off on the proposal for the badminton tournament, again no contract was signed. I asked Jason why a formal contract with Adidas was not drawn up; he pithily replied, “We trust each other, and signing a contract could be tedious and rude.” The lack of a contract evidenced a certain kind of trust and friendship. Had one of them asked for a contract it would have belied the faith they had in their partnership/friendship. They took the finalized proposal that I had created as an agreement and anticipated that each other would follow it to a tee. The partnership between Infinite Sports and Adidas was mutually beneficial. Both companies worked together to increase their tennis market share and to also explore a new market—badminton.

Through the Adidas Cup, both companies were able to reach their target customers. Infinite Sports was able to generate crucial profits and leverage other opportunities, such as selling event tickets, demonstrating tennis rackets, promoting tennis lessons, and, most importantly, attracting other potential sponsors or partners. Infinite Sports’ successful business model also attracted other tennis apparel and equipment companies like Lotto, Head, and FILA that had formerly cooperated with CTTA. They turned to Infinite Sports to strengthen their brand image. Jason treated these companies more like contractors; he had no personal emotional connections with them or their representatives.

Infinite Sports charged them operational fees and forced contract agreements between their companies and Infinite Sports. For example, Lotto wanted to hold a collegiate tennis tournament at the beginning of the 2011 fall semester. During the meeting, Jason was all business. He knew that his company could profit greatly from selling Lotto's products. Jason also conducted operational fees in order to cover any extra costs that might occur. The representatives from Lotto considered Infinite Sports to be working for them. Lotto tried minimizing their costs and maximizing their benefits. They requested Jason to partially cover the cost of the event T-shirts and to order for the event a substantial amount of products from them. Jason did not give into their demands.

The project with Lotto hovered in limbo for two months over the disagreement on cost sharing. The Lotto tournaments were eventually held, but the unpleasant negotiations thwarted any future business collaborations. This was not a partnership where two companies looked for mutual benefits. It was a business deal, and for both companies it left a sour taste in the mouth. Jason had this to say,

I don't think any company in Taiwan knows about sport marketing. So it's Infinite Sports' duty to educate them on what is sponsorship. It is difficult for us to give them any example before we hold the exhibition event. This is the same problem we face with sponsoring amateur tournaments, similar to the Adidas Cup. Although it's a small tournament, Adidas trusts us to do it correctly and we did a great job. Now FILA and Lotto want to hold their own tournaments with us. They had no inclination about it before and did not know the effectiveness of these tournaments even though they are both sport-related companies.... Adidas is the only company that knew sport marketing. They knew what we were doing and how good we were. We always do better than they expect.

The good relationship between Jason and Aaron was no guarantee of things running smoothly. Four months before the exhibition game, Adidas held a press conference to celebrate the excellent performance of Randy at Wimbledon. They also announced they were extending their endorsement of him. Aaron invited Jason to be the opening speaker of the conference, knowing Jason had a strong previous connection with Randy. Jason was eager to promote the up-coming event and boost ticket sales. Randy was going to perform in the historical exhibition event.

At the rehearsal meeting just before the press conference, Randy broke it to Aaron he did not want Jason to even be on the stage with him, much less be the opening speaker. Shocked, Aaron still was loath to offend Randy. He had Jason stay on a seat away from the stage. Jason was taken aback. He thought an earlier squabble between Randy and him had been resolved. After all, Randy had agreed to play in the exhibition event. Years earlier, when Jason was Randy's agent, Jason had wrangled with Randy's brother (now serving as Randy's agent) about the terms of his contract. The bad blood between Jason and Randy was now jeopardizing the relationship between Jason and Aaron. Moreover, it blocked Infinite Sports from being able to promote, at a great venue, the exhibition.

### ***Longines***

In 2007, Longines became a partner and official timekeeper of the French Open. The company was dedicated to tennis development all over the world. Beginning in 2009, Longines launched and operated the "Longines Future Tennis Aces Tournament." This brought together, from all over the world, 16 girls or boys under 13 whom their home tennis federations had nominated. They would then get to play, a week before the French

Open, a tournament on the famous clay courts of Roland Garros. The event was designed to promote Longines' core values of respect, fair play, and tolerance.

To select the best youth players who could represent Taiwan in the 2009 Longines Future Tennis Aces Tournament, the vice president, Sherry, decided to ask Infinite Sports for assistance. Sherry wanted Infinite Sports to hold a local tournament to select an elite youth player to represent Taiwan at the Longines Future Tennis Aces Tournament. Since that occasion, Infinite Sports maintained a solid relationship with Longines, continually holding this annual tournament for Longines (Taiwan). For the first two years (2009 & 2010), Jason did not charge any service fees to operate the tournament but only charged the rent of the tennis court and compensation for the staff and umpire. Jason thought of it as a good way to build relationships with such a big international company dedicated to tennis development.

Longines (Taiwan) also served as a major sponsor of the 2011 exhibition tennis event. One of the tennis stars competing was their international brand representative. So Longines (Taiwan) wanted to capture this rare opportunity to increase their publicity and media exposure in Taiwan. Because of the good relationships between Jason and Sherry, Longines (Taiwan) was able to acquire more sponsor benefits than their counterparts who had invested the same or more. Andy pointed out that Longines was not the biggest sponsor but reaped greater benefits. They even invited one tennis stars to attend their own event.

There are two reasons that Longines could enjoy more benefits compared with other sponsors. First was the special relationship between the Sherry and Jason. The second was because the invited tennis star was endorsed by the Longines (Global) and

agreed to respect Jason's arrangement of his schedule in Taiwan. The tennis star cared nothing about which sponsor invested more money in the event. The fact is Longines paid no extra money for the tennis star's appearance fee; Jason had paid it already. The fact that Longines got the lion's share of benefits caused some friction between the aggravated sponsor and us.

In sports marketing, it is the sponsor who knows how to play with the contract, not the one laying out the most cash, that will garner more benefits. Of course, this could have strategically been planned out by Jason to keep us his company's good terms with Longines. Actually, the good relationship between Longines and the tennis star also facilitated the collaboration between Infinite Sports and Longines. After the exhibition event, Longines (global), quite satisfied with the event, unofficially agreed to sponsor future exhibition games. The event not only increased the exposure of Longines' brand but also tightened up their relationship with the tennis star. Sherry also promised Jason that she would provide more financial resources to sponsor other future tennis events held by Infinite Sports.

I was responsible for putting on the 2011 Longines Future Tennis Aces local tournament. It was here I had a chance to meet and interact with Sherry. The relationship between Jason and Sherry was further improved after the exhibition events. In 2011, Sherry decided to pay Infinite Sports an additional service/operational fee to carry out the marketing campaign. Jason was thrilled to get the additional income and gratified that the good relationship between Infinite Sports and Longines (Taiwan) was finally paying off.

The atmosphere and the topics covered in the meeting were completely different from those covered in the meeting Jason held with Adidas. Since Longines were not part

of the sport industry, Sherry had no experience carrying out a successful tennis tournament. The only reason Longines was even involved was because of a global strategic decision. Sherry's extensive experience with fashion shows helped her very little when it came to sports. Sherry needed Infinite Sports to handle nearly everything about the campaign, aside from the press conference at the end of the tournament. Sherry hired another PR company to take care of the press, though neither was that company familiar with the sports industry. During the meeting, the manager from the PR Company had to consult with us about the possible storylines and topics that might help with exposure of the event. Sherry cared a great deal about the event's exposure and the positive impact it might have on their brand image. As for the tournament, Sherry just wanted it to be fair and safe.

To make the tournament official and legitimate, Jason invited the new president of CTTA to attend the award ceremony and present the award to the winner in front of the press. Moreover, Jason persuaded Sherry to sponsor flight tickets and hotels for CTTA's president to go to the French Open and join the Longines Future Tennis Aces event.

### ***FunP***

FunP is an online social media marketing company that provides services such as website design and construction, customized blogs, integrated RRS service, and interactive marketing software design. Its founder, John, knew Jason through the YEF program. They both started their own business in 2007. Since then, Jason had decided to let FunP take care of all the online services. This included the design, creation, and maintenance of the official website of Infinite Sports, the Adidas Cup registration and

ranking system, and delivering online interactive events on Facebook. I had opportunities to work with FunP through the Longines' project and the Infinite Sports official website renovation project.

I considered FunP as a partner rather than a contractor of Infinite Sports. The two founders had a close working relationship and cooperated with each other. During meeting, Jason and John talked like buddies most of the time. They shared their experiences about how to run a new company but also joked with each other when it came to who had shown better business sense. The agreement between two companies was that FunP would take care of all the online services at a minimum charge while Infinite Sports would give FunP a chance to increase its exposure in the virtual tennis world. For example, FunP became an associated sponsor of the Longines Future Tennis Aces Tournament because they sponsored the establishment and maintenance of the official website and the interactive online voting program for the campaign.

Although the partnership benefited both start-up companies, the close relationship between the two CEOs caused some problems for each company's staff. The biggest benefit was cost-down. Infinite Sports could receive FunP's Internet marketing service at a minimal cost but the savings came with inefficiency. For example, I was leading two interns on working on a new official website for Infinite Sports. We tried to integrate the Adidas Cup registration system, online store and stuck management system into the website. When we started the project, Jason told me that he had informed John of this website renovation project and that everything would be fine.

However, the FunP's software engineer was reluctant to perform the job, saying it would take him too much time on a project with a slim profit margin. Also the previous

project, such as registration system debugging, had not been completed yet. The major profit for FunP was to be from the online marketing and advertisement, building websites, registration systems, and the sales management system that was going on through the Infinite Sports website. However, the engineer claimed that setting all those tasks up was not his specialty. John pushed him to take the case and finish the job. The software engineer knew that this task would bring little profit for his company and that FunP took this job solely because of the special relationship between Jason and John.

When I reported the situation to Jason, he looked awkward, telling me he would discuss it with John privately. I asked Jason the possibility of finding another contractor to do it but he rejected my suggestion because he thought that might hurt John's feeling and that he might lose his face because of it. So the whole company website project was still on hold the day I left. The intimate relationship between Jason and John allowed Infinite Sports to save some money and effort on looking for trustworthy contractors, but it also ended up hindering the deployment of future projects.

### **The Media**

Infinite Sports had its own news reporters and outlets such as Yahoo News, an official company website, and Facebook. The routine news releases included storylines about the monthly Adidas Cup, the new tennis programs launched by Infinite Sports, the latest sales promotions and the updated scores and statuses of Taiwanese tennis players. The news was written by the staff of the PR department and approved by Jason before it was published on the Internet. Without the exhibition event, the interaction with the media was limited to Yahoo News.



In 2008, after hosting the Taiwan Challenger, Yahoo News contacted Jason for possible future collaborations as a tennis news provider. At the time, Yahoo News was the largest news website in Taiwan. They wanted to expand their diversity on reports and the amount of sport news. So they invited Jason to become a sport columnist in tennis and asked Infinite Sports to be their news provider. Since then, Infinite Sports now has its own news outlet. More people began to learn about Infinite Sports through Yahoo News and the articles Jason published in the Yahoo sports column. Jason shared his personal opinions, critiques, and recommendations on issues such as the problems or difficulties of tennis development in Taiwan. Besides the “regular” tennis news, Jason was able to promote Infinite Sports’ events and strengthen Infinite Sports’ brand image throughout the news he published.

There was an unspoken agreement between Jason and Yahoo News. As long as there was more tennis information than advertisements, things would be fine. It appeared as though allowing Infinite Sports to do some placement advertisement was their compensation for providing the domestic tennis news for free. That’s why Jason needed to approve all news published on Yahoo News. He wanted to avoid crossing some line and offending the manager of Yahoo News. The exposure in Yahoo News had become the most important and powerful PR resource for Infinite Sports to not only reach mass audiences but to also become a leverage tool to negotiate with potential sponsors or partners.

When Infinite Sports announced the exhibition event, the interactions with other media sources became more frequent and intense. Jason knew the current staff could not handle the task so he hired Rebecca about six months before the event. Rebecca had

several years' experiences interacting with sports reporters especially in golf and basketball. After working with Jason for the 2008 Taiwan Challenger, Rebecca started to build relationships with reporters in the tennis field. Jason rehired Rebecca for her experience in PR and for her connections and relationships with those new sport reporters. These relationships and connections were built gradually and maintained on a daily basis. One must become a real friend to those reporters and keep communicating with them only through work and on personal time as well. "It was especially important for building relationships with the sports reporters of the four major newspaper companies in Taiwan," Rebecca said.

Maintaining close friendships benefited both Rebecca and the reporters. Rebecca did not need to worry about the reporter she invited being absent at a press conference or special event. She knew they would always attend if she invited them because they were friends. For the reporters, being a close friend of Rebecca could present an opportunity to get instant or exclusive news about a certain event. However, managing close relationships with multiple reporters was not an easy task. One has to keep a balance between jobs and personal life as well as fairness and effectiveness. Rebecca gave me a great example about the tactics of maintaining relationships with reporters:

There is a very important rule in PR that you cannot show your favor to specific reporters, even if you are aware of the criticalness of some specific reporters. The information could spread very fast between reporters. For example, during the exhibition event a reporter might ask me is there any interesting news? I could give him exclusive news on a player such as what he first did when he landed in Taiwan. However I would have to tell the reporter: I only told you so please don't show off. You cannot always do favors for the same reporters. You have to be

moderate and fair. If you provide exclusive news to them one day and you have to provide one to another reporter the next day. You have to let them feel they are special. You need to know when and how to do this. If you give the same news to everyone, then it is not a favor. You have to remember who you release the exclusive news to that particular time and who is next in line. You have to endure complaints from other reporter when they do not get the exclusive news from you. They know the difficulty of my job but they still keep complaining to me because they work for different newspaper companies. As a PR manager, you cannot favor any specific reporters. You have to take care of everyone.

Her special relationships with reporters made Rebecca irreplaceable at Infinite Sports. Even some trivial tasks such as a follow-up call to confirm with a reporter whether or not she was going to show up at a press release conference had to be done by Rebecca herself. Rebecca asked her staff to call reporters to confirm their attendance at a press conference. Reporters, however, avoided such calls from strangers. In the space of one or two seconds after picking up, a reporter would often say, “I am busy” and hang up. Even though a staff member may know the reporter, he or she still has to know how to communicate with the reporter efficiently because they are always busy, especially TV reporters.

During the exhibition event, the burden was even heavier for Rebecca. All the reporters following the event were contacting her for updated information. Rebecca mentioned the workload being very heavy during the event and how she had to release news daily as well as keep in touch with reporters. When it came to reporters’ calls, Rebecca knew she couldn’t have her own staff help out because the reporters trusted only her. This made for a very stressful situation for Rebecca. When the event was over, Rebecca left Infinite Sports and took all her connections with her. For the second

exhibition event, Jason had no choice but contracting with a PR company to handle the media.

### **The Shareholder**

Larry, the initial investor in Infinite Sports, was the only shareholder of Infinite Sports for the first two years. He played a major part in the company's creation. Larry made the investment because he agreed with Jason's vision of a tennis reformation development system in Taiwan. He also saw an opportunity to profit. Always a businessman, Larry wanted to recoup his money and more.

Jason nearly exhausted that initial investment hosting the Davis Cup and Taiwan Challenger, neither of which generated sustainable income. Although the Davis Cup and Taiwan Challenger did create some good business credits for Infinite Sports, Larry thought Jason spent too much money on hosting events. He hoped Jason would find a way to stabilize his income before laying out more money to host fruitless tennis events. Being a novice, Jason failed to clarify with Larry, at the beginning, what his rights and obligations were as the CEO of Infinite Sports.

In fact, Larry decided everything in the company such as strategy making, budget approving, and approval on all the company policies. As for Jason, his main focus or responsibility was to utilize all his personal connections and knowledge in tennis to bring off the Davis Cup and Taiwan Challenger for the company. While successful, neither event brought in a single cent of profit for Infinite Sports. Larry ended up losing more money than what he was prepared to invest in the company. Larry told Jason he would not invest more money in Infinite Sports. He wanted Jason to move to Taichung to focus

on operating the tennis facility that they had just acquired from the Taichung city government. Such was not Jason's dream. His choices were to either stay or go.

If he stayed at Infinite Sports, he could try to get together enough money to buy Larry's share. Or he could just leave and start a new company. It was a tough decision for he hated to see all his effort put into those two events evaporate. Moreover, he could lose his credit and reputation in the sport industry if he betrayed his company by starting a new one. After serious consideration, Jason decided to stay at Infinite Sports. Staying at the company meant that he now had to find a way to keep doing what he wanted to do. Jason negotiated with Larry, trying to come up with a way to keep their business relationship alive.

They brought out an agreement that Larry would only be responsible for the operation and management of the tennis facility in Taichung. Jason would focus on other business activities in Taipei without any financial support from Larry. In latent terms, Jason had to look for other financial resources by himself to cover all the costs including, but not limited to, costs in the Taipei office, his own salary, the rent of the Taipei office, purchasing cost for Adidas products, and all other operational costs. Jason even had to pay fees for using the tennis courts if he held the Adidas Cup in their own Taichung tennis center. He also had to pay the rent for the space of the tennis shop in Taichung's tennis center. The one company with two systems became a compromised model for Infinite Sports. Jason was in charge of the Taipei office and took care all the marketing, public relationships, monthly tournaments, product sales, and exhibition events. Larry took care of the operation and management of the Taichung tennis center including membership and facility management.

In order to secure financial stability, Jason borrowed money from family members, friends, and banks. Although Jason later invested much more money in Infinite Sports than Larry, Larry was still the only legal shareholder and owner. Infinite Sports was still under Larry's name. Jason did the negotiating and communicating with governments, contractors, partners, sponsors, players or even employees. All resulting contracts were signed by Larry. Larry promised Jason would have the ultimate right to make any business decision in the Taipei office. Nevertheless, all contracts or agreements were finalized by Larry.

The separation of the management system also caused some internal problems such as the confusing chain of command. For example, before the tennis shop was opened in Taichung tennis center, all the employees were managed and paid by Larry. When Jason wanted to open a tennis shop in the Taichung tennis center he sent Ben there to take care of the shop. When Ben got there, he was confused by being paid and directed by Jason while the other employees were paid and directed by Larry. Ben felt he was an outsider there even though all of the employees worked for the same company. Without any clear communication between him, Jason, and Larry, it was hard for Ben to understand who was in charge and who to follow. Eventually, Ben viewed Larry and Jason both as the owner of the company and followed both their directions.

The dual management system model remained in place at Infinite Sports for two months following the exhibition event. Jason finally raised enough money to purchase Larry's share and became the owner as well as the CEO of Infinite Sports. Although Jason publicly expressed his gratitude for Larry's role, he admitted during an interview that he had chosen the wrong investor.

Larry was not the biggest shareholder. He was the first one. I invested more money than him. I did not invest any money at the beginning. But that's all right as long as you promise to invest money; your word should be sacred. You cannot expect to earn your money back as soon as possible and retreat when you find out it is not easy to make a profit... So choosing Larry to be my investor was a bad choice. Many new businesses could face the same situation. You have to pick your investors very carefully. I picked a bad one and I admit it.

### **The Club Members**

When, in 2008, Infinite Sports won the right from Taichung's city government to operate the Taichung Tennis Center, Infinite Sports also took over the members from the last management company. There were probably three hundred members who paid the seasonal membership fees regularly. At the Taichung Tennis Center there were two kinds of memberships available for purchase. The first one was an all-day membership that cost about \$100 per season. If a person had an all-day membership, she could play anytime during business hours. If a person bought a daytime membership for \$35 per season, she was allowed to play only between 6 am to 6 pm. About 90% of members had daytime memberships, usually playing in the early mornings or late afternoon. The other 10% were all-day members who usually played at night.

The setting of the center was very practical and constructive. There were eight clay courts and four of them were surrounded by concrete stands, having a capacity of 1,500 people. Situated below the concrete stands was a three-story building which contained many mandated rooms. The Infinite Sports office, the tennis shop, a room for coaches and tennis equipment, and a big storage space were on the first floor. There were several office spaces on the higher floors and some of them were rented out to other local

non-profit organizations. A small recreation area with a table and chairs was conveniently located behind the tennis court so members had a place to socialize after matches.

Two employees, Mr. Yang and Mr. Wu, continued working at the tennis complex after Infinite Sports took it over. They were in charge of the maintenance of the facility and of managing memberships. They had to make ready the courts at least three times a day, collect membership fees every season and decide the yearly schedule of the facility. They did not have an office inside the building but occupied a spot in the seats of the stadium. This spot was always under the shade and able to overlook all eight tennis courts. They had set up a table with a tea set so they could continue monitoring the courts while enjoying their green tea. Many members of the tennis facility would while away free time sitting there chatting with Mr. Yang and Mr. Wu. Sometimes, Mr. Yang would play tennis with other members when his work was done or when members needed one more player to play a doubles match.

Mr. Yang, who could remember nearly every member's name, also served as the one-man membership management system. All members knew he was the one to go to when there was any question or problem with the facility. Mr. Yang also needed to collect the membership fees every three months, generate annual schedules of the courts, and contact contractors for facility maintenance. In short, Mr. Yang took care of everything. Mr. Wu was more passively engaging in membership and facility management. Mr. Wu followed only Mr. Yang's direction and did what Mr. Yang would ask of him. Reluctant to take any responsibility, Mr. Wu just wanted to hide behind Mr. Yang. So even though members knew Mr. Wu, they looked for Mr. Yang if they had any problems or questions about the courts or schedule.



Jason's attitude about these members was surprising. He thought them unimportant to the business of Infinite Sports. In fact, he thought they brought more trouble than they were worth. Several reasons accounted for Jason's attitude. First, Jason was powerless over the price of membership fees and the qualification of memberships. That was in the hands of the city government.

The city government had previously set a ceiling price and stated that any citizen could be a member as long as he/she pays the fees in the contract. The income from membership fees fell short of covering even the maintenance fees. The major income came from renting out the courts for tournaments and tennis lessons. The more tournaments that were scheduled, the less time members could play. Therefore, the tournaments brought with them many complaints from members with tight schedules.

Another reason Jason did not like these members was because many of them gave off an air of being the bosses themselves. Many of them had been playing there for over 20 years. They thought their opinions and input were important. A few members would delay or refuse payment of the membership fee and use the rest area for their own enjoyment. Some had the audacity to gamble and even drink alcohol in the rest area. These members were a bit rowdy and caused parking problems that strained the relationships between Infinite Sports and the neighborhood community.

Before Jason took over the company from Larry, the only power he had been granted was controlling the physical center and not the members themselves. Jason did not have much opportunity to interact with members and become further involved in membership management. After Jason took over the company from Larry, he was now free to think of a way to handle the members more efficiently and effectively.

Larry used to heavily rely on Mr. Yang on membership management and gave him a lot of power to make any facility-related decisions. But when Jason took over the tennis center, he wanted to create a more functional membership management system. Also Mr. Yang was fifty-five years old and had brought up a couple of times his retirement plan to Jason. Jason needed to find someone to replace Mr. Yang before his retirement and he knew that Mr. Wu was not an option. Jason decided to hire someone who could replace Mr. Yang and Mr. Wu. A young man, Henry, was hired and Jason asked Mr. Yang to pass his experience on to Henry.

Henry had a bachelor's degree in physical education and was enthusiastic about sports, especially swimming. Henry had worked at a swimming pool for two years prior to joining Infinite Sports. Henry quickly mastered most of the facility and court maintenance tasks. He even shared some duties in the sales department. Although Henry picked these things up quickly, he was not as easily able to build solid relationships with members or coaches, especially with Mr. Yang constantly hovering. Furthermore, Henry did not play tennis at all so he seldom interacted with members. Jason soon realized that Henry could never replace Mr. Yang's real function at Infinite Sports so he rotated Henry from facility maintenance to the sales department to handle stock and online orders. Jason still could not solve the problem of membership management but, as mentioned, dealing with members was the last thing that Jason worried about. Providing service to members went from being an obligation to a burden.

## **The Competitors**

Infinite Sports was the only private company in Taiwan dedicating itself to promoting tennis participation, hosting amateur tennis tournaments, developing youth tennis players, and providing player agency services. As for holding international tennis events, however, two other companies were in the market. The first was K Entertainment Event Company (KEEC) and the second was O Sports Marketing and Management Company (OSMMC).

### ***K Entertainment Event Company***

Two months after the exhibition event, even with a big loss, Jason still believed that there were still many Taiwanese who would be willing to buy pricy tickets for an exciting tennis event. Jason believed that the seats of Taipei Arena went unfilled because the event was held on a Thursday night; as for the people in Kaohsiung, they couldn't afford such a big tennis event. So Jason thought that if he could hold another tennis exhibition game with a good match-up, at a good location, and at a good time, he would be able to fill the seats. Furthermore, the financial situation was critical for Infinite Sports; Jason really wanted to have a sold-out event to recoup his losses from the two previous exhibition events. Jason was planning to invite Andy Roddick, defeated by Randy at Wimbledon in 2010 in the fourth round, for a rematch in front of Taiwanese fans.

The planned exhibition event was to take place in Taipei on a Saturday afternoon in October, right before the ATP tournament started in Asia. Jason received an initial agreement from Roddick's agent and from Randy to play an exhibition game in Taiwan before the Beijing Open. However, the Taipei arena was not available; all weekends in

October had been reserved a year earlier. Jason had to find another arena near Taipei City with more than ten thousand seats. Taiwan Athletic University (TAU) was the only option. About an hour from Taipei City, Taiwan Athletic University was accessible with limited public transportation; the best way to get there was by driving. The only public transportation available was a bus that ran every hour on weekends. The arena itself was built around 1980 with 11,000 seats. Other arenas around Taipei City were either too small or unavailable for that date. Before 2005, TAU arena was the biggest arena in the Taipei area. It hosted many big international sporting events and non-sporting events. However, since the Taipei Arena had opened in 2006, TAU Arena had been relegated as an alternative when Taipei Arena was unavailable. After confirming its availability, Jason started the application process in March of 2011.

In the middle of April, Infinite Sports arranged an inspection of the arena to make sure all the rooms and other needed spaces were available and usable. By the middle of May, however, Infinite Sports was still waiting a response from the University about its arena application. Andy called an official of TAU. Andy was told that there was another event company trying to book the arena for the same date for a tennis event. Jason was shocked. Not only was there another company trying to hold a tennis exhibition game in Taiwan, but the school had obviously put a hold on Infinite Sports' application. Soon, Jason figured out that the rival applicant was K Entertainment Event Company (KEEC). KEEC was inviting the current top ATP player to play another top ten ATP player. Jason was perplexed that another company wanted to hold a tennis exhibition knowing how badly Infinite Sports had lost money on it.

KEEC was the largest event promoter in Taiwan. They held hundreds of music concerts and shows every year including local and international performers in music, dancing, arts, and drama. Two months after Infinite Sports' tennis exhibition game, KEEC mulled over the market potential. The company decided to invite the top two players in the world to Taiwan to play an exhibition game. They thought the tennis legends that Infinite Sports had invited were past their prime; the event had seriously lacked the excitement and tension that existed in real tennis matches. KEEC needed the TAU arena just as much as did Jason. KEEC had held many events at TAU Arena and had a good relationship with its officials. In fact, KEEC had just held two concerts there in March 2011. They had renovated several spaces in the arena for the hospitality of international rock stars. That TAU would hold up Infinite Sports' application for KEEC thus came as no surprise.

Jason held an emergency meeting. Jason was furious about TAU's favoritism and KEEC's reckless move, one Jason believed might destroy the immature and fragile tennis market. Jason decided he needed to try to negotiate and communicate with the president of KEEC. During the meeting, Jason called one of his friends who worked for the KEEC to get the number of the president. Jason called, not expecting to get more than voice mail. To his surprise, the owner of KEEC answered the phone.

Jason tried persuading him that the tennis market was not stable enough to afford a tennis exhibition with the top two players in the world. Jason knew the attendance fee for such players would be sky high. Ticket prices would be double what Infinite Sports had charged. This would surely cause KEEC to suffer a financial loss. Worse, also it would damage the reputation of Taiwan in the tennis market. The owner of KEEC was

unswayed. He believed that people in Taiwan would be willing to buy a ticket for a “real” tennis match. Jason realized that he was powerless from stopping the owner of the KEEC from going ahead. The man was unruffled by the potential loss of money. Jason’s parting words were “Good luck!”

All Jason wanted was to have a fair shot at using the arena. To put pressure on TAU, Jason issued a news story about his plans and the issue of finding a location for the event. The title of the news article was “Everything Is Ready, Except the Location.” Jason wanted the media to step in and monitor the application process for TAU arena. The article also referenced the possible favoritism TAU had for KEEC.

Jason’s move was yet again risky. Bringing media in the media meant feelings would be hurt and reputations could be at stake—especially the relationship between Infinite Sports and TAU. Without such an action, however, the chances of acquiring the right to the arena would be near zero. The gamble paid off; the media began to pressure the president of TAU. The media badgered him on how he was going to handle the situation, who he thought truly deserved the arena. The president had little choice but to form a selection committee to decide which company could use the arena. The committee consisted of five individuals, three from TAU and two from outside the campus. They would put it to a vote. KEEC won the right to use the arena. The official explanation from TAU was they thought the event would be profitable for KECC and bring positive exposure to the university.

Jason was crestfallen. He was unwilling to give up though. Jason continued to think that Infinite Sports’ match-up was more attractive and more wallet friendly. At another internal meeting, Jason said, “If we can find another arena near Taipei City we

might still have chance to hold the exhibition game, at the same time with KEEC's." Although Jason was more than confident that he could fill the arena with enough audience members, most of his staff, friends and investors voiced their concerns about Jason's overly optimistic attitude.

Jason decided to hold a meeting with Heidi, several investors, and a couple of staff members to discuss the next step. I attended the meeting as a part of the senior staff. Most people in the meeting supported doing nothing and tried to persuade Jason to not go through with his plans. Everyone agreed that KEEC was going to lose money. It seemed senseless for Infinite Sports to hold another exhibition game at the same time. One investor, a close friend of Jason, remarked, "Since the KEEC is doomed to fail, let's just give them our best wishes."

Jason gave in and began to focus on another exhibition game for the following year. He announced the cancellation to the public and then did what was expected of a professional businessman. He thanked KEEC for their effort and investment in hosting such a great tennis exhibition game. Taiwan tennis fans would greatly appreciate this gift and Jason gave his best wishes to KEEC for a successful event. Jason went so far as to offer any support KEEC needed to pull off a successful event. KEEC's entry into the tennis market could negatively impact Infinite Sports. Nonetheless, Jason thought it could be a good thing for the Taiwan tennis market in general. Their investment might boost the Taiwanese tennis market, especially regarding the spectators.

This incident made Jason rethink what was the truly competitive advantage of Infinite Sports in Taiwan's tennis industry. Before the appearance of KEEC, Jason thought that holding international tennis events and the close relationship with top players

and their agents were the competitive advantages of Infinite Sports. Apparently though, he was wrong because any event promoter that had sufficient financial resources could invite any tennis player to Taiwan to play in an exhibition game. The real competitive advantage for Infinite Sports should be its credibility regarding holding a quality exhibition game for the fans as well as the players. In fact, after the first exhibition event, several companies called in to ask if Infinite Sports was interested in holding other events such as music concerts, baseball and basketball events. Further, some agents of elite tennis players also showed their interest in arranging for their players to play an exhibition game in Taiwan. This was due to their hearing that Infinite Sports had done a good job last time. They wanted to work with Infinite Sports for any future opportunities.

#### ***O Sports Marketing and Management Company***

The O Sports Marketing and Management Company (OSMMC) is a subsidiary of the O Group. The founder of the O Group had been supporting the Taiwan tennis development system for more than ten years by donating a certain amount of money to the CTTA as well as sponsoring Taiwan's woman tennis players every year. The son of the founder was also enthusiastic about tennis. Therefore, rather than merely donating money to the CTTA and players, the founder of O Group decided to establish his own sport management company so they could use the money more efficiently and effectively. In 2006, the O Sport Marketing and Management Company was founded to provide sports marketing and PR service, especially for tennis events. The founder's son served as CEO. The ultimate goal of OSMMC was to host professional tennis events for local tennis players to compete within their own country. To maintain a close relationship with CTTA, the Chief Secretary of CTTA was hired as a manager of OSMMC. Since



2007, OSMMC has been cooperating with the CTTA to hold Taiwan's Ladies Open as an ITF tournament. After five years of hard work, Taiwan's Ladies Open would become the first WTA Challenger in the world with a total prize of \$125,000 (including hospitality) while the winner of the tournament could gain 160 points.

OSMMC served as a co-host with CTTA in Taiwan's Ladies Open. CTTA, as an official WTA organization, provided OSMMC with required administrative assistance, such as communicating with the WTA and the Taipei City government. Furthermore, CTTA subsidized OSMMC tennis-related resources such as line umpires, ball boys and girls, tennis carpet, and waiving the rent of using Taipei's Arena. CTTA also provided connections for OSMMC to recruit sponsors. To receive subsidies from CTTA and free use of Taipei Arena, Taiwan's Ladies Open had to be a charitable event and had to be free to the public. Charging money for the tickets would have been illegal and therefore disqualified the OSMMC from categorizing their event as non-profit.

Although there was no ticket selling of the event, the OSMMC was still able to generate enough income from sponsorships as well as score a subsidy from CTTA and the O Group. Because of the steady financial support of the O Group, the OSMMC was able to make the Taiwan's Ladies Open a yearly event. The tight relationship with CTTA also allowed OSMMC to hold the 2012 ATP Taiwan Challenger in Kaohsiung. This was the first ATP Challenger since the 2007 ATP Taiwan Challenger held by Infinite Sports. The president of CTTA had actually contacted Jason to see if Infinite Sports would be able to hold the 2012 ATP Taiwan Challenger. Jason was excited about the opportunity. He discovered, though, that the financial support from CTTA and the Kaohsiung government was limited. He had to decline the offer. Without the financial support from the city

government, Jason knew he stood little chance of turning a profit. Jason estimated that the funding from sponsorships was not enough to cover the cost of the ATP tournament.

Jason tended to view the OSMMC as part of CTTA's corrupt system. OSMMC was just another problem Jason needed to overcome if there was to be any hope for the reformation of Taiwan's tennis development system. Jason wanted to avoid getting involved with CTTA. He believed that if he could get enough resources from sponsors, fans, or even the government, then he could host a professional tennis event on his own. However, without CTTA as a medium, Infinite Sports found it hard to acquire resources and support from both the government and private companies. It is against the law for the government to directly subsidize a private company. On the other hand, most companies recognized CTTA as the official tennis organization promoting tennis in Taiwan. Thus, when companies want to donate their money for tennis development or sponsor a tennis event, they still chose CTTA.

### **The Supporters**

Infinite Sports' Facebook page had about six thousand people. Most of them had also "friended" Jason on Facebook. Most followers liked tennis supported what Infinite Sports was trying to do for Taiwan's tennis industry. Nearly 70% of followers on Facebook were under thirty years old and half of them were college students. These followers could have been or were people who participated in the Adidas Cups, went to the exhibition games, bought tennis products from Infinite Sports, or just cared about Taiwan's tennis development. With this in mind, Jason made sure to use his Facebook followers as a resource in making company decisions. He spent a lot of time interacting with the followers. Jason would try to answer himself every question posted on Infinite

Sports' Facebook page. The argument for this was that because Jason was the only one who responded, this provided the followers a more personal connection or feeling with Infinite Sports. Jason also periodically exchanged opinions with his followers by using his own personal Facebook account to share his new business ideas. And as noted above, Jason recruited new staff members only through Facebook. For Jason, those followers served as the backbone of Infinite Sports.

Jason took seriously the opinions or comments from the followers on the Infinite Sports Facebook. Jason believed that these followers were the target audience of Infinite Sports and their negative opinions and comments could serve as valuable resource for strategy making. For example, Jason formed a consultant group six months before the exhibition event. The goal of forming this group was to gather points of view from people outside the company. Twenty people were selected for the consultant group. Some were regular followers of Infinite Sports; others were close friends of Jason who had long cared about tennis development in Taiwan, even before Infinite Sports was established. Jason needed the consultant group to meet twice a week and give advice about the upcoming exhibition events. Jason hoped the various inputs from the consultant group could also be a supplement to the inexperienced team. A disappointment, the consultant group worked together poorly and was only able to meet once. According to Jason,

I was hoping that the consultant group could help us thinking about something we did not notice. But I later realized that most of their advices were infeasible because of the lack of careful consideration. The suggestions from the consultant group were not only impractical but also burdensome. Furthermore, they could not hold a meeting on time. Every time a meeting was set, someone would come up with an excuse not to attend because of scheduling conflicts. So only one

meeting was held for the consultant group. It was too hard to bring everyone together since most of them had full-time jobs and families. The passion for the purpose of the consulted groups conflicted with the reality. Passion is unreal if you do not have commitment. Although a few people in the consultant group were really zealous to help, it did not work out as a whole group.

I was able to talk with one of the members in the consultant group. Emmy was a professional tennis player and now owned a company that provided individual or group tennis lessons in the greater Taipei area. She had gotten to know Jason while she was a professional tennis player. Jason continued to maintain a great relationship with her because of her connection to many amateur coaches as well as star students. Emmy told me she felt frustrated attending the meeting because Jason did not take her advice seriously. She said Jason had preconceived ideas and notions about the future of the company and it was nearly impossible to have a serious discussion with him. She felt like Jason formed the consultant group to support his ideas rather than to provide him new advantageous suggestions. Still, the comments from the followers on Facebook still played an important role in the daily decision-making process. For instance, Jason would test or announce his new business ideas on Facebook without discussing them with his staff first. Jason would use the positive comments from followers as the go-ahead signal to launch new projects.

Jason also deeply believed that the negative comments from followers on Facebook could easily damage Infinite Sports' image. Jason thus asked staff members to respond immediately to any negative comments posted to the Infinite Sports Facebook page. Most official responses on Facebook needed to be approved by Jason before being posted. The tight relationship between Jason and his followers caused some problems for

Infinite Sports. The problems included conflicts between Jason and his staff, biased information, and the leaking of confidential information.

Jason sometimes put out his ideas on his own Facebook page before discussing them with his staff. Although it was his personal page, most of his friends were also followers of Infinite Sports on Facebook. Thus, this information could be misleading to readers. Furthermore, staff members could only react passively rather than proactively. More seriously, such behavior drove a bit of a wedge between the staff and Jason. Staff members felt disrespected when they saw Jason discussing business publicly with people who were outside of the company. They got the feeling that Facebook followers' opinions were more important than their own. On the other hand, discussing internal affairs of the company with Facebook friends also gave off an impression of isolation between Jason and staff members. Jason once posted a message expressing his disappointment with one of his staff employees during a meeting. In seeking backup from his Facebook friends, Jason damaged his company's image and muddled his relations with his employees. Publicly criticizing staff members seriously damaged the morale of the team; the staff member resigned after the second exhibition event.

Lastly, the comments from the followers were sometimes biased because they did not represent the whole target market of Infinite Sports, especially for the exhibition event. The potential customers for the exhibition event were those familiar with the tennis legends and those who could afford to buy the tickets—customers generally at least thirty years old with a stable income. Most followers of Infinite Sports on Facebook were college students, a population neither familiar with the tennis legends nor in possession of the money to buy tickets. On occasion, Jason would accidentally release some

confidential information to his Facebook friends. He and the marketing crew, for example, had established a detailed marketing plan for the exhibition event. It indicated all the specific dates to release certain information to the public. However, Jason sometimes got too excited about the progress of the event and updated it on Facebook. A couple of times the marketing crew had to ask Jason to remove the message to seal the information.

### **Epilogue**

As Jason had predicted, KEEC's ticket price for its tennis exhibition was double the price of Infinite Sports. Just over a third 35% of the tickets sold. KEEC lost nearly a million dollars on the event. KEEC's president told the media he would still keep doing whatever he could for Taiwan's tennis fans. Infinite Sports held its second tennis exhibition event in May 2012. Once again, the event proved that the tennis market in Taiwan was too small to support the scale of such a tennis event. Less than half the tickets were sold. Jason lost another million dollars. Yet he still believed it was worth it because of the potential impact of tennis events on the overall tennis development in Taiwan. "A great tennis event could re-focus the public's attention on tennis and bring together people who care about tennis. I believe a lot of tennis fans were touched by our events and our passion for tennis development in Taiwan." To survive, however, Jason must reconsider the position of Infinite Sports in Taiwan tennis and find its niche market. He learned the hard way that holding tennis exhibition events in Taiwan is a money-losing proposition. Moreover, other event promoters could do it. Jason also needs to recruit new staff members with passion as well as capability to perform and then he has to learn how to keep them. Jason knows that cultivating tennis population and potential

youth tennis players should be the long-term goal of Infinite Sports. As for short-term goals, Jason has to not only integrate and allocate current resources more effectively but also leverage the exposure and reputation from the exhibition event to attract more support from private companies.

The thick description above strives to provide ethnographic details about the interactions between the CEO of Infinite Sports and his stakeholders in the context of Chinese culture, especially in Taiwan. The following section will represent the result of thematic analysis based on all qualitative data in this study including interview transcriptions, documents, and thick description.

## **THEMATIC ANALYSIS**

From thematic analysis of the qualitative data in this study, 13 themes emerge. Eleven of them are related to *guanxi* and concepts of stakeholder theory. The other two are related to the context of this study. Themes related to *guanxi* and concepts of stakeholder theory fall broadly into four categories: managerial level, organizational level, inter-organizational level, and macro level. This section shows each theme. Further interpretations and explanations of each theme will be provided in the next discussion section.

### **Managerial Level Themes**

Themes at the managerial level focus on the influences of *guanxi* while a manager is making stakeholder-related decisions. Themes in this category show the role of *guanxi* in strategic decision making and resources allocation to reconcile the divergent interests

of stakeholder groups. Three *guanxi*-related themes at the managerial level were identified:

1. *Guanxi and stakeholder salience.* Stakeholder salience refers to the degree to which managers give priority to competing stakeholder claims based on power, legitimacy, and urgency. Several incidents in this study indicate that there was a substantial influence of *guanxi* when Jason tried to prioritize the competing stakeholder claims. For example, the existing relationship between Jason and the new president of CTTA changed Jason's attitude from refusing to work to possibly cooperating with them for future opportunities. Also, the intimate *guanxi* between Jason and the three core coaches of the Infinite Sports determined the way Jason recruiting event volunteers as well as selecting tennis tournament venues. Lastly, Longines received more benefits and attention than other sponsors because of the good *guanxi* between Jason and Sherry.
2. *Guanxi and managerial discretion.* Several cases show that the quality of *guanxi* with specific stakeholders also affects the latitude Jason had in his actions with the stakeholder, and vice versa. In other words, the zone of acceptance of a manager or a stakeholder might change as their *guanxi* develops. For instance, because of the intimate *guanxi* with core coaches and third parties Jason chose to put up with their breaking of certain rules during the event (e.g., upgrading seats without permission, and soliciting players' signatures while in duty). At the same time, these three coaches and third parties relished a sense of superiority, believing it would be fine to cross a



line. Further, as the *guanxi* between Aaron and Jason developed, Infinite Sports received more support from Adidas, including the rights to use Adidas' logo on all tournament-related marketing material for free and receiving fewer restrictions on new product promotions. Lastly, the deteriorating *guanxi* between Jason and Larry, the investor, served as a negative example of *guanxi* and managerial discretion. When their *guanxi* went bad, Larry started to cut down the decision power of Jason and force him to focus on profitable projects, such as managing the Taichung tennis center. In other words, Larry narrowed his zone of acceptance for Jason.

3. *Guanxi and stakeholder orientation.* *Guanxi* also influenced the manager's attitude and actions toward stakeholders. The most obvious case is how Jason recruited his staff, third parties, contractors, and sponsors through *guanxi*. Jason recruited his managers mostly from people he already knew, such as Andy. Jason knew him through the YEF program; Jason worked with Rebecca for a previous event; Allan was Jason's cousin; Lin was Allan's girlfriend. And May was the sister of one of the coach's girlfriend. Further, *guanxi* also served as an important criterion to identify potential contractors (i.e., FunP), partners (i.e., YEF), and sponsors (i.e., Longines). These cases show that the existence of *guanxi* could potentially determine the stakeholder orientation of an organization.

## Organizational Level Themes

Themes at the organizational level emphasize the role of *guanxi* in determining stakeholder salience within an organizational context. At organization level, two themes associated with *guanxi* emerged from the data.

1. *Guanxi and stakeholder culture.* Stakeholder culture is defined as the beliefs, values, and practices that have evolved for solving stakeholder-related problems and otherwise managing relationships with stakeholders (Jones et al., 2007). Further, stakeholder culture can be seen as a central facet of organizational culture or of the organizational memory as to how moral tensions between self-interest and other-regarding interests were resolved in the past (Amaeshi, 2010). The results indicated that the moral tensions among stakeholders at Infinite Sports varied as *guanxi* developed. For example, the attitude toward Adidas changed as the *guanxi* between Jason and Aaron evolved. At the beginning, Aaron only treated Infinite Sports as one of its retailers. Jason took Adidas only to be a supplier that provided quality and profitable tennis products. Jason and Aaron initially interacted with each other based on their self-interest. As their personal *guanxi* advanced, they started to think beyond self-interest to mutual-interest. The birth of the Adidas Cups served as a product that was generated from the mutual-interests of both parties. The intimate *guanxi* between Jason and Aaron advanced their business relationships from supplier/retailer to partnerships. However, the developing of *guanxi* does not always lead to a change of moral tension toward a specific stakeholder. For instance, although the *guanxi* between Jason and Sherry had improved, the way they interacted

was still mostly based on self-interest. Without sharing the same vision, the business relationship between Infinite Sports and Longines went unaltered.

2. *Guanxi and organizational culture.* The emphasis of *guanxi* also decides the recruitment process. *Guanxi* determined the way the staff interacted with Jason as well as each other at Infinite Sports. Recruiting staff members through *guanxi* may increase the reliability but at the same time it involves a tradeoff between owing *renqing* and losing *mianzi*. For instance, Andy joined Infinite Sports because he owed Jason *renqing*. Jason asked Rebecca to join the team because he worked with Rebecca before and because of her connections with the media. Jason then owed Rebecca *renqing* when she agreed to “help” Jason with the event. This different direction of *renqing* debt set up different tones of interactions between Jason and Rebecca. Rebecca had the advantage when communicating with Jason; Andy did not. The emphasis of *guanxi* within the organizational culture of Infinite Sports was also reflected in the selection of contractors, such as FunP. Jason believed that working with companies with *guanxi* could have benefits such as saving money and nurturing trust. That trust was evidenced by no formal contracts being signed between two parties sharing *guanxi*. Cooperation was purely based on oral commitment and informal communication.

### **Meso Level Themes**

Themes at the meso (inter-organizational) level highlight the way *guanxi* affects the dynamic inter-organizational relationships among the focal organization and its stakeholders. At the inter-organizational level, four *guanxi*-related themes are identified:

1. *Guanxi and bounded self-interests assumption.* According to Douglas and Jeffrey (2011) people are motivated by the pursuit of personal pleasure and the avoidance of personal pain. This motivation reaches its boundary when it begins to violate their perceptions of what is fair. Several cases in this study showed that the trust and reciprocity embedded in *guanxi* determined people's perceptions about what was fair. In other words, the interactions between managers and their stakeholders in Chinese culture are based on bounded self-interest. This of course is under the various influences of *guanxi*, *renqing*, and *mianzi*. Further, the existence of *guanxi* plays a crucial role in determining procedural, distributive, and interactional fairness. The interactions between Jason and CTTA serve as an example of *guanxi* and distributive fairness. The recruitment process shows how *guanxi* affected the perception of procedural fairness. The negotiation process with Taipei's city government demonstrates how *guanxi*, *renqing*, and *mianzi* influenced the perception of interactive fairness. Lastly, the competition between KEEC and Infinite Sports to use the TAU arena represents another case of the influences of *guanxi* on both procedural and interactive fairness.
2. *Guanxi and cross interactions among stakeholders.* The results indicate that the *guanxi* between a focal manager and a stakeholder could have a bearing on the interactions between the manager and the other stakeholders. Furthermore, the *guanxi* between two stakeholders could also influence the *guanxi* between the manager and each of the stakeholders in the discussion. For example, the intimate *guanxi* between Jason and those third-party

experts he invited to assist the young team caused tensions and conflicts between Jason and staff members. On the other hand, the bad *guanxi* between Jason and Randy impeded the collaboration between Jason and Aaron. Furthermore, the good *guanxi* between two stakeholders could facilitate the *guanxi* development between the focal manager and each stakeholder.

3. *Non-transferability of Guanxi.* The results also indicate that *guanxi* serves as a personal, not an organizational, asset. The *guanxi* is attached to two individuals who constantly interact in a specific context. For example, one of the reasons that Jason recruited Rebecca was because she possessed tight *guanxi* with the media, *guanxi* she had been developing for years. By hiring Rebecca, Jason was able to utilize her *guanxi* with media to help with public relations. When Rebecca left the company, however, she took all her connections with her. The other case that indicates the non-transferability of *guanxi* is the way Mr. Yang handled members at the tennis club. Mr. Yang interacted with members daily and created a unique overall *guanxi* with them. Jason tried to hire someone before Mr. Yang's retirement. However, the replacement was only fair because the *guanxi* with members was attached to Mr. Yang. It took time to build and maintain *guanxi* with each member. Lastly, finding a city consoler to negotiate with Taipei's city government also indicates the non-transferability of *guanxi*.

## Macro Level Themes

At the macro level, three themes were identified here to show the prevalence of *guanxi* in Chinese society and how it affects the role of government in sport development.

1. *The prevalence of guanxi in Chinese society.* The results show that *guanxi* is a widespread concept in Chinese society. *Guanxi* became a social norm that guides the way people interact with each other in Chinese culture. When it comes to business, especially for a start-up like Infinite Sports, Jason needed to utilize *guanxi* to acquire desired resources from diverse stakeholders. For example, recruiting not only passionate but also reliable or trustworthy staff members through *guanxi* has become a normal business practice in Chinese society. It is also business-as-usual to do the following: negotiating using *guanxi* with the government, contracting with companies using existing *guanxi*; and maintaining *guanxi* by giving *mianzi*, and owing *renqing*. The consideration and implementation of *guanxi* can be found in every aspect of business and helps shape the organizational culture of the company.
2. *The significant role of government in sport development.* Government and government-related organizations control most resources in Chinese society. However, creating and maintaining *guanxi* with governmental officials becomes a crucial influence on resource distribution. Although Jason expected no resources from CTTA and city governments, on many occasions, he still believed that the government “should” take responsibility for promoting tennis. Rather than merely give money to CTTA or tennis players who won medals in international competitions, the government

should, Jason argued, use the money more effectively. That is, they should construct a better tennis infrastructure, providing world-class training for potential youth players. They should offer loans to sport marketing companies, and reconstruct the current sport development system.

3. *Unsound sport development system.* The results also indicate two factors that contributed to the ineffectiveness of Taiwan's sport development system. The first is the corruptive system between the central government and National Governing Bodies (CTTA in this case). The central government distributes a financial subsidy to each NGB. However, it fails to come up with an objective evaluation system to measure the performance of NGBs at promoting their sports. Without evaluating and monitoring mechanisms, NGBs have the ultimate right to decide the way they use the money they receive from the government. Thus, what emerges periodically are corruption and scandals between NGBs and athletes, between NGBs and governments.

In this study, for example, the Chief Secretary of CTTA was hired as a manager of OSMMC to maintain and create close *guanxi* between the two organizations. With this close *guanxi*, OSMMC was able to acquire resources from CTTA as well as from governments through CTTA.

The second factor is sport development's lack of support from the private sector. Jason and his marketing manager, Lin, complained several times about recruiting sponsors for the exhibition event. Most businesses in Taiwan still fail to grasp the benefits of sponsoring a sport event. Even those

businesses that understand are still reluctant to lay out money on any sport event other than baseball. Besides, CTTA notorious reputation scares away a lot of potential sponsors.

### **Contextual Theme**

Unrelated to stakeholder theory and *guanxi* are two other noteworthy themes:

1. *Passions for tennis and sports.* Jason cared deeply about tennis and so did most of his staff. Jason's passion for tennis and his vision of tennis development also attracted many people who wanted to work for him. Mike joined the company because of his admiration for Jason and he also wanted to do something for the tennis industry in Taiwan. Rebecca joined the team because of her passion for sports and sport media. Jason also wanted to recruit staff members interested in tennis but also who shared his vision. Unfortunately, most of his staff, frustrated with him, left the company within two years. They disagreed with his Jason handling of the conflicts with third parties. Worse, the majority felt disheartened, perceiving that he exploited their enthusiasm for tennis and/or sports in general.
2. *Guanxi and organizational culture differences.* In order to acquire necessary resources for the exhibition event, Jason and his crew needed to interact with various organizations with different organizational cultures. The unique organizational culture differences of each organization also determined how Jason and his staff built and maintained *guanxi* with these organizations. For example, when working with governments or government-owned businesses, governmental regulations should be followed. When working with other



private companies different rules and tactics of negotiation should be applied.

To summarize, the thematic analysis based on the concepts of *guanxi* and stakeholder theory identified five themes. These included those at micro level, organization level, inter-organizational, macro level, and other themes. Each major category has several themes. The micro level themes include *guanxi* and stakeholder salience, *guanxi* and stakeholder managerial discretion, and *guanxi* and stakeholder orientation. The organizational level themes include *guanxi* and stakeholder culture and *guanxi* and organizational culture. The inter-organizational level themes include *guanxi* and bounded self-interest assumption, *guanxi* and cross interactions among stakeholders, and non-transferability of *guanxi*. The macro level subthemes include the prevalence of *guanxi* in Chinese society, the significant role of government in sport development, and the unsound sport development system. The other themes that are worthy of further discussion include workers having a passion for tennis and sports, and *guanxi* and organizational culture differences. The next section offers a more elaborate discussion and analysis of each theme identified by thematic analysis.

Categories	Themes
Micro (Managerial) Level	(1) Guanxi and stakeholder salience (2) Guanxi and managerial discretion (3) Guanxi and stakeholder orientation
Organizational Level	(4) Guanxi and stakeholder culture (5) Guanxi and organizational culture
Inter-Organizational Level	(6) Guanxi and bounded self-interests assumption (7) Guanxi and cross interactions among stakeholders (8) Non-transferability of guanxi
Macro Level	(9) The prevalence of guanxi in Chinese society (10) The significant role of government in sport development (11) Unsound sport development system
Contextual Themes	(12) Passions for tennis and sports (13) Guanxi and organizational culture difference

Table 1: Categories and Themes

## Chapter 5: Discussion

In the last section, a thick description and a thematic analysis of the data were provided. Thirteen themes under five categories (managerial level themes, organizational level themes, inter-organizational level themes, macro level, and contextual themes) emerged from the data. In this section, a structured conceptual analysis of each theme is performed to generate the theoretical meanings and implications of Chinese culture, especially *guanxi*, *renqing*, and *mianzi*, on the development of stakeholder theory. Starting with the managerial level, the influences of *guanxi* on stakeholder salience, managerial discretion, and stakeholder orientation are explored. Then the influences of *guanxi* on organizational and stakeholder culture are further examined. At the meso (inter-organizational) level, I explain first how, the assumption of bounded self-interest fits in with the concept of *guanxi*, *renqing*, and *mianzi*. Explained next is how the interactions among stakeholders affect *guanxi* development. The transferability of *guanxi* is next discussed. Following I discuss the influences, at the macro level, of *guanxi*, *renqing*, and *mianzi* on stakeholder theory. Lastly, two contextual themes are noted and elaborated. Lastly, a general discussion is provided.

### MANAGERIAL LEVEL

#### ***Guanxi* and Stakeholder Salience**

According to Mitchell et al., (1997) and Agle et al. (1999), the degree to which managers give priority to competing stakeholder claims is called stakeholder salience. Decisions are made based on power, legitimacy, and urgency. These three factors are socially and culturally constructed, so whatever the setting (say Chinese) they can come

into play. This study found that in Chinese contexts *guanxi* could be another crucial variable of stakeholder salience. By using *guanxi*, a manager could gain access to stakeholders with crucial resources (power), gain recognition by associating with a legitimate stakeholder (legitimacy), and save time and energy in negotiating terms or contracts with a stakeholder (urgent). Moreover, a stakeholder having *guanxi* with a manager could bring stability to future collaborations fraught with uncertainty and unpredictability. *Guanxi* removes the accommodation process necessary in working with an unfamiliar stakeholder. On the other hand, the study also found negative effects of *guanxi* on stakeholder salience.

Using *guanxi* could, in the long run, create costs for a manager. These might come in the form of owing *renqing* and losing *mianzi*. A good example that illustrates the negative consequences of using *guanxi* during stakeholder prioritization is the decision to co-host an exhibition event with CTTA. Co-hosting the exhibition event with CCTA could enable the Integration Sports to receive professional resources from CTTA and gain access to negotiate with other powerful stakeholders, such as City Governments and potential sponsors. Because CCTA is an official non-profit tennis organization recognized by City Governments, Jason could receive more governmental support if CTTA got involved. Jason understood that cooperating with CTTA could save him a lot of money and time especially considering the tremendous financial pressure the upcoming event was generating. Jason also felt sure that the president of CTTA would agree to co-host the event with Jason. After all he, the president, had good *guanxi* with Jason and Jason's father. All that notwithstanding, Jason decided, after careful consideration, to host the event alone. The cost of using this *guanxi* outweighed the

benefits. Not only would a certain percentage of ticket sales go to CTTA, Jason would also owe the president a large *renqing* that he might, down the road, have to pay back. On top of that, becoming part of a corrupt system that he disdained would make him vulnerable to losing *mianzi* and reputation among his supporters. Thus, *guanxi* can be a crucial factor influencing stakeholder salience and during stakeholder prioritization decision makers should weigh, like Jason, the consequences of using *guanxi*.

The results also indicate that if mutual benefits exist, the negative consequences of using *guanxi* might be minimized. Jason, for example, used his *guanxi* with coaches to recruit their students to be event volunteers or to pay less rent for university tennis courts when hosting amateur tournaments. When he did this, he thought little of the *renqing* he might owe those coaches. Indeed, the coaches stood to gain merit credits from the university-industry liaison. Thus, when both parties benefit, the *renqing* is neutralized. In short, *guanxi* could be another variable in Chinese culture that determines stakeholder salience. Quality *guanxi* could provide a manager access to stakeholders with desired resources, help him acquire legitimacy and save him time and effort during negotiation. The trust and reciprocity embedded in *guanxi* could also eliminate the uncertainty and unpredictability of further collaboration. During stakeholder prioritization, however, managers should keep in mind, the negative effects of employing *guanxi*. *Renqing* could be owed and *mianzi* lost. Yet such effects could be minimized if both parties are able to benefit in the exchange.

### ***Guanxi* and Managerial Discretion**

The latitude a manager has in his or her actions on stakeholders is known as managerial discretion. It can be understood as each stakeholder that constrains the actions

of a chief executive (Hambrick & Finkelstein, 1987). This study found that a stakeholder's "zone of acceptance" can be widened according to the quality of *guanxi*. A benign *guanxi* based on reciprocity and trust could expand the "zone of acceptance;" a malign *guanxi*, one based purely on *renqing* and monetary incentives, could constrict the "zone of acceptance."

Aaron, for instance, gradually removed certain sale restrictions from the IS which should have been followed by all official retail stores (such as the extra discount for new products, and the frequency of promotion). He did this as *guanxi* developed. Aaron also allowed Jason to freely use their logo on coupons, banners, and brochures designed for the Adidas Cup. Aaron even encouraged Jason to seek a title sponsor for the Adidas Cup as long as it was not a sport-related company. As *guanxi* with trust and reciprocity developed, Aaron provided Jason more assistance so as to increase product sales as well as strengthen both companies' brand images in the Taiwanese tennis market.

As a negative example, we might consider the deteriorating *guanxi* between Jason and Larry, the initial investor of the IS. Larry had used to give Jason ultimate power in making business decisions. However, when Larry told Jason that he would invest no more money and requested Jason to focus only on profitable projects, a chill settled over their relationship. As their *guanxi* went sour, Larry's "zone of acceptance" shriveled, forcing Jason to renegotiate a new zone with Larry, such as the establishment of a Taipei office having full financial responsibility. In short, the "zone of acceptance" can change depending on the quality of *guanxi* between managers and stakeholders. When the "zone of acceptance" expands, managers enjoy more room and resources to leverage for bigger business opportunities. When it constricts because of declining *guanxi*, managers could

suffer from heavier demands from the stakeholders. In this situation, managers should either work at improving the *guanxi* or renegotiate with the stakeholders involved a new “zone of acceptance.”

### ***Guanxi* and Stakeholder Orientation**

Stakeholder orientation is defined as a manager’s attitudes and actions towards stakeholders (Berman et al., 1999). Stakeholder orientation serves as a predisposition of managers to acknowledge (or not) and engage with (or not) stakeholders. It can be categorized according to the breadth of stakeholder claims recognized by a firm or a manager (Philip et al., 2011). We can think of stakeholder salience as a prioritizing process of identified stakeholders. In other words stakeholder orientation is a scanning or identifying process of possible stakeholders. As with stakeholder salience, stakeholder orientation is substantially influenced by *guanxi* and *renqing*.

A manager must scan the environment to identify who his company’s stakeholders are. It is at this point that existing *guanxi* and *renqing* become important indicators. For example, when Jason tried to form his team, the majority of people he recruited were people he already knew. Indeed, he recruited former interns, friends, varsity teammates, friends of existing staff, relatives, friends of relatives, friends of coaches, and friends on Facebook. As the head of a new company, Jason hired people he already knew or had been introduced to by his friends because he wanted people he could trust, who were reliable, and had similar interests. Thus during the recruitment process, people having *guanxi* were the first to be recognized and identified.

Philip et al. (2011) also contended that stakeholder orientation should be categorized by the breadth of stakeholder claims recognized by a firm. A firm with

narrow stakeholder orientation consistently privileges the interests of a single or a few stakeholders over those of other stakeholders. One with a broad orientation does the opposite, privileging the interests of multiple stakeholders. In Chinese culture, the emphasis of *guanxi* on stakeholder identification would limit the pool of selection by eliminating stakeholders without it. Although *guanxi* could provide certain levels of trust and reliability, this kind of favoritism could also create a bias in stakeholder identification by eliminating influential stakeholders that are without *guanxi*.

## **ORGANIZATIONAL LEVEL**

### ***Guanxi* and Stakeholder Culture**

Jones et al. (2007) defined stakeholder culture as “the beliefs, values, and practices that have evolved for solving stakeholder-related problems and otherwise managing relationships with stakeholders” (p. 142). Further, stakeholder culture can be seen as a central facet of organizational culture concerning how moral tensions between self-interest and the interests of others were resolved in the past (Amaeshi, 2010). The introduction of *guanxi*, *reqing*, and *mianzi* could change the way we understand the moral tensions between self-interest and other-regarding interest. If we think self-interest and other-regarding interest are two extremes of a continuum, then the quality of *guanxi* between a manager and a stakeholder could be a crucial factor that shifts the moral assumption of a manager from one end to the other or somewhere in the middle. In other words, the moral assumptions could change with the evolution of the *guanxi* between a manager and a stakeholder.

Take, for example, the *guanxi* between Jason and Aaron. When, in 2007, Aaron first contacted Jason, he wanted to increase the sales of their tennis products. On the other



hand, Jason just wanted to sell Adidas products and generate some income for his company. Both of them interacted based on self-interest. As Aaron got to know Jason personally and realized Jason's vision of Taiwan tennis development, their *guanxi* changed from business *guanxi* to partner *guanxi*. As that change progressed, they began to care more about what was in the best interest of the other. Aaron began thinking about how he could use his resources to help Jason promote tennis and Jason began thinking about how he could sell more Adidas tennis products through tennis events. By putting themselves in the others' shoes, they hatched the idea of Adidas cups. Aaron provided the brand name and their tennis products as prizes, so Jason could then attract more participants and enable Aaron to reach target customers. The improving *guanxi* moved the moral tensions of Jason and Aaron from self-interest to other-regarding and, eventually, to mutual interests.

There is, of course, no guarantee that *guanxi* with trust and reciprocity will shift the moral tension between two parties. For mutual-interests to emerge requires continual dialogue and engagement until the two parties share the same vision. For example, Jason had been cooperating with Longine for four years, just as long as he had with Adidas. Although the *guanxi* between Jason and Sherry gradually improved, it never yielded mutual-interest; Sherry failed to possess the same vision and passion of tennis as did Jason. She was in tennis only because it was part of a global strategy. As for Jason, he did not expect Sherry to understand or be dedicated to tennis development; the less she knew, the more she needed him. Despite *guanxi* with trust and reciprocity existing between Jason and Sherry, both parties still interacted mostly based on self-interest.

## ***Guanxi* and Organizational Culture**

The collective behavior of people within an organization could be considered its organizational culture. Organizational culture is formed by the organization's values, norms, vision, symbols, beliefs and habits that affects the way people interact with each other inside of an organization, or with stakeholders outside. Further, this pattern of assumptions directs how new members think and interact with existing members in an organization. In Chinese society, the formation and maintenance of organizational culture is heavily influenced by concept of *guanxi*. Even before a company hires an individual, that individual could feel the influence of *guanxi*. *Guanxi*, as noted above, is a crucial factor in the recruitment process, especially for a new company in Chinese society. Jason, we saw, recruited most of his staff from various *guanxi* sources. Jason's family and friend *guanxi* in recruitment process could screen out unwanted applicants and, if something goes wrong, could provide a means of tracing.

Once an employee is recruited through *guanxi*, the way that novice interacts with other members in the organization is largely determined by two major forces—*renqing* and *mianzi*. For example, Rebecca assisted Jason in hosting the 2007 Davis Cup and the two became friends thereafter. When Jason asked for Rebecca's help for the 2011 exhibition event, he owed her *renqing*. For Rebecca, she thought she came to "help" Jason because Jason needed her connections with media. For Jason, he wanted to hire someone he could trust and rely on. When conflicts arose, Jason, owing her *renqing*, had less latitude to complain. Rebecca, on the other hand, when she received Jason's criticism felt she had lost *mianzi*. The *renqing* created a unique tension between Jason and Rebecca, throwing both of them, when conflicts arose, into awkward positions.

The situation can differ if *renqing* is due the employer. Andy, for instance, joined the team because he owed Jason *renqing*. He agreed to help with the event to clear his *renqing* debt. Since the *renqing* was neutralized after the recruitment, no *renqing*-induced tension arose between them. In fact, Jason eventually even owed Andy *renqing* because Andy did more than he had promised. Thus, the *renqing* generated by using *guanxi* during the recruitment process could create managerial tension and could possibly amplify the conflicts between the employer and the employee who is due the *renqing*.

In Chinese culture, *guanxi* also plays a crucial role in contractor selection. As a start-up company Jason needed to find a contractor that he not only could trust but also who could get him a better deal. In Chinese culture, it is normal to do business with someone you already know or through referral. It is generally assumed that if you have certain kind of *guanxi* with your contractor you will get a better deal. Further, it would be easier to negotiate terms of contract or deadlines with the contractor you have *guanxi* with.

Here again there are risks. Contracting with companies with *guanxi* can, for example, cause some managerial problems. For IT service, Jason contracted with FunP having gone to the same entrepreneur program with its president, John. They had become good friends, and Jason might have been able to save some money by contracting with them. Their cooperation, however, was based on only an oral agreement. Owing to the lack of a written contract, the staff of both companies were frustrated working with one another. A similar situation happened between Jason and Aaron. With no formal contract between them, it was difficult for the staffs of both companies to understand the boundaries of interactions.

This well illustrates how in Chinese society the influence of *guanxi* changes the concept of contracts. Signing a contract between two parties in Western society represents the mutual trust between each party based on the protection of the law. However, because it relies on the law, signing a formal contract represents the mistrust between two parties. As observed by Trompenaars and Hampden-Turner (1998), Chinese regard an obsession with rules as being inappropriate. It signals a lack of trust, which is part of friendship and essential to business. In short, when business *guanxi* interferes with friend *guanxi*, long-term managerial problems may arise.

Finally, a consultant group for the exhibition event was formed. This, too, provides useful insights into a question posed by many stakeholder theorists: At what level, should the stakeholders be involved in the decision-making process of a firm? To gather diverse perspectives on how to make the exhibition event more successful, Jason decided to form a consultant group consisting of around twenty members. These members included Jason's friends who were also concerned about tennis development in Taiwan. It also included coaches and some supporters selected from Facebook's staff. Ultimately, the consultant group fell apart because of conflicting schedules and unrealistic suggestions. The original intention was to gather opinions from different angles and tighten the *guanxi* with these supporters. However, members came from different socioeconomic backgrounds and had different understandings of tennis events. To integrate diverse even conflicting opinions was impossible and unpractical. Further, members felt frustrated or disappointed when Jason rejected their recommendations. By throwing cold water on such ideas, Jason risked damaging his *guanxi* with those members.

## MESO LEVEL

### ***Guanxi* and Bounded Self-Interests Assumption**

The concepts of *guanxi*, *renqing*, and *mianzi* in Chinese culture fit perfectly with the idea of bounded self-interests proposed by Douglas and Jeffrey (2011). The authors hold that the motivation of pursuing personal pleasure and avoiding personal pain reaches its limit when it begins to violate what is fair. Further, they also argued that both material and nonmaterial compensation should be included when considering the distributive, procedural, and interactional fairness between entrepreneurs and their stakeholders. In Chinese culture, *guanxi*, *renqing*, and *mianzi* could serve as a crucial nonmaterial compensation that determines distributive, procedural, or interactional fairness.

Distributive fairness refers to whether the distribution of material outcomes to the entrepreneur and the network of stakeholders is justified by a specific stakeholder (Rabin, 1993; Nelson, 2001). Although distributive fairness originally is decided by material outcomes, when *guanxi*, *renqing*, and *mianzi* are taken into account nonmaterial outcomes could also be influential. The decision of co-hosting the exhibition event with CTTA or not could be a good example of considering—for distributive fairness—*guanxi*, *renqing*, and *mianzi*. If the decision was only based only on material outcomes, co-hosting the exhibition event with CTTA could be the best decision for Jason because it could save him a lot of money and time. If, however, *guanxi*, *renqing*, and *mianzi* are taken into consideration, co-hosting with CTTA might not be a fair deal for Jason. The *renqing* he owed and the *mianzi* he could lose might, in the long run, cost Jason more. In Chinese culture, once you owe a person *renqing* you are expected, when he or she needs your help, to give back even more than you received (Gouldner, 1960).

Whether a stakeholder considers the decision-making process to be fair is referred to as procedural fairness (Lind & Tyler, 1988; Phillips, Freeman, & Wicks, 2003). Using *guanxi* in the recruitment process is a good example of the influence of *guanxi* on the perception of procedural fairness. At first glance, recruiting a new employee through *guanxi* seems unfair for applicants without *guanxi*. The experiences of former interactions in other formal or informal occasions or recommendations from shared friends could be just as important an important indicator as an applicant's capability and working experience. However, when hiring through *guanxi* prevails in Chinese society or when most staff in a company is recruited through certain forms of *guanxi*, the perception of procedural unfairness could be diluted.

*Guanxi*, *renqing*, and *mianzi* could also impact interactional fairness. Interactional fairness refers to whether the entrepreneur treats stakeholders with respect and dignity or rudely and dismissively (Cropanzano, Bowen, & Gilliland, 2007). Using *guanxi* in certain situations could be rude because it makes people lose *mianzi*. For example, Jason used his family *guanxi* to find a city counselor to push his case in Taipei City government. Jason also used his *guanxi* with the media to publish news stories about the government's ignorance and arrogance. These actions ruined Jason's *guanxi* with the Taipei City government. They not only damaged the City's image but also made the director of the Taipei Sport Office lose *mianzi*. Ultimately, Jason was unable to collect additional resources from the Taipei City government while the Taipei City government enjoyed all the benefits from the initial agreement.

The competition with KEEC for the right of using TAU arena serves as another example explaining the influences of *guanxi* on both procedural and interactive fairness.

In order to acquire more time to prepare required documents for arena application, KEEC used his good *guanxi* with TAU to delay the application process of Infinite Sports. The interference of *guanxi* seriously damaged the procedural fairness between Infinite Sports and TAU. To obtain desired procedural fairness Jason decided to make the application process public by releasing the information to media. When media stepped in TAU was forced to create a new selection process to ensure the procedural fairness for maintaining its creditability. Although Jason retained the procedural fairness by making the process public, however, the move also damaged the interactive fairness by putting the president of TAU into an awkward position and adding unnecessary pressures on the president of TAU from media.

### ***Guanxi* and Cross Interactions Among Stakeholders**

The results also show that using *guanxi* can have a spillover effect on a third party outside the *guanxi* loop. Using *guanxi* and thereby discriminating against people outside a *guanxi* network, goes against the principle of fairness. If an outsider is treated unfairly because of the special treatment granted by a *guanxi* deal, the ethics of such a *guanxi* deal are called into question (Fan, 2002; Tanzi, 1994). This kind of favoritism could disturb the dynamic balance between managers and their stakeholders because it could break existing rules followed by other stakeholders. Using *guanxi* could also create a grey area in management that might raise conflicts and the frustration levels of stakeholders involved. For instance, Jason used his *guanxi* to invite several friends to assist the inexperienced team. When his friends agreed to help, Jason then owed them *renqing*.

These third-party individuals enjoyed the power and privilege assigned them by Jason. However, when these individuals broke rules established by Jason to be followed

by all the staff, serious conflicts were the result. One of Jason's friends, for instance, requested signatures from the tennis stars during the event, though this behavior was expressly forbidden to all event staff. Furthermore, the staff was thrown into confusion when the chain of command was broken due to the insertion of these third parties. A lack of communication during the event, between Jason and his staff, concerning the functions of these third parties caused role conflicts.

What most frustrated the team was Jason's attitude about the problem. Rather than mediating the conflicts, Jason blamed it all on the uncooperative behavior of the staff when forced to work with those third parties. All this caused irreparable damage to the *guanxi* between the team and Jason. Within a month following the exhibition event, two-thirds of Jason's staff left the company. Because he owed his friends *renqing*, Jason had no choice in the confrontations but to back up his friends. Moreover, had he conceded these third parties had caused the disturbance, he could have also lost *mianzi*. After all, it was he who had brought them in.

Yet these conflicts and tensions between the staff and those third parties all might have been avoided had Jason before the event integrated the third parties with the team. For example, Susan came into the office and worked with the marketing staff two weeks before the event. She constantly communicated with the marketing manager and staff. She figured out how she could complement the team and, on certain tasks such as the dinner party, even took the lead. Although it took some time for the marketing staff to adjust, conflicts and tension were minimized once expectations and responsibilities were clarified.



The *guanxi* between a focal manager and a stakeholder could, as noted above, affect other stakeholders. Not surprisingly, the results also indicate that the quality of *guanxi* between two stakeholders could also affect the interactions between the focal manager and each stakeholder involved. Good *guanxi* between two stakeholders could benefit the focal company through cross leveraging opportunities. Poor *guanxi* between two stakeholders could place a focal manager in an unfavorable position. For example, the good *guanxi* between Longines and one of the tennis stars (Longines' global endorser) ensured that Longines was the official sponsor of the exhibition event. On the contrary, bad *guanxi* between stakeholders can jeopardize that between the manager and each stakeholder. This can be seen in the damaged *guanxi* between Jason and the team resulting from the conflicts between third parties and staff.

Poor *guanxi* between a manager and a stakeholder can also create tension among other stakeholders especially when they have good *guanxi*. Randy asked Aaron to keep Jason away from his endorsement press conference. The bad *guanxi* between Jason and Randy caused enormous tension between Jason and Aaron. Aaron decided to maintain his good *guanxi* with Randy by sacrificing that he had with Jason. *Guanxi* can, this incident illustrates, be measured and weighed. When the *guanxi* of two relationships conflict, the weaker one can be sacrificed with the compensation of being owed *renqing*.

### **Non-transferability of *Guanxi***

The results of this study suggest that *guanxi* lacks transferability. Also, it supports the argument that *guanxi* should be seen as personal property rather than an organizational asset (Tsang, 1998). There are three major sources of initiating *guanxi*. The first and strongest is family *guanxi*. Family *guanxi* can be acquired through birth,

marriage, or adoption. The second source of *guanxi* comes through joining an association, such as classmates studying in the same school, teammates at a sports club, or coworkers. The third and weakest source of *guanxi* is the monetary incentive born through doing business.

Any *guanxi* (aside from that of family) can, when both sides devote their time and effort, be developed and advanced to a level of friendship or partnership. Even when advanced to friendship *guanxi*, levels still exist depending on how much time and effort both parties invest and what kind of life events the two parties have gone through. Thus, once *guanxi* is developed, it becomes a personal asset belonging only to the two parties involved. This special asset is not, in Chinese culture, transferable. It is, however, borrowable.

The main reason that Jason hired Rebecca and Hebe was their *guanxi* with the media. It takes time to develop and maintain *guanxi* with a reporter. Also, reporters treat people differently depending on the quality of *guanxi*. For instance, Rebecca could not even ask her staff to make a follow-up call. Her reporters would never waste their time talking to someone they didn't know. Jason did not have time to establish *guanxi* with those reporters. He needed someone who already had good *guanxi* with them. Jason thus hired Rebecca as his public relations manager. In other words, Jason borrowed Rebecca's *guanxi* with reporters by establishing with her an employer-employee *guanxi*. Another example is Jason's method of pressuring the Taipei City government. For help, Jason used his family *guanxi* to ask a city councilor who possessed political *guanxi* with government officials.

Borrowing *guanxi* can occasionally be risky. It can, after all, violate procedural fairness. Also, borrowing *guanxi* usually requires, even when the assigned task fails, owing a huge amount of *renqing* debt. The concentration of *guanxi* could also cause, because the lack of transferability, other managerial problems. For example, Mr. Yang was in charge of membership management at the Taichung Tennis Center. The way he managed members was through *guanxi* building with all of them. He knew almost every member in the club and called them by name. Because of Mr. Yang's *mianzi*, most members also respected him and followed his direction on courts. The unique *guanxi* between Mr. Yang and members made him irreplaceable at the company. Jason recognized that his retirement could be a potential problem for the company, so he tried to hire a new staff to take over Mr. Yang's position. The *guanxi* between Mr. Yang and members, however, could not be transferred. Henry could not just take over the *guanxi* without truly engaging with members as adeptly as did Mr. Yang.

Borrowing *guanxi* or being associated with a stakeholder possessed of resourceful *guanxi* may be a form of strategic alliance prevalent to Chinese culture. Just like a strategic alliance, borrowing *guanxi* could be an effective way to enhance access to resources and reduce environmental uncertainty in Chinese society. In Chinese culture, however, the targets of this "short-cut" strategy are usually government officials. This kind of *guanxi* is usually temporary and confidential because it is usually associated with bribes and corruption. This notion differs from the concept of strategic alliance. A strategic alliance strives for mutual benefits; borrowing *guanxi* is always about acquiring more resources from the borrower. The *guanxi* holder is treated more like a means, not an end.

## **MACRO LEVEL**

This study suggests that a special sport development system in Taiwan was created by Taiwan's unique cultural, social, political and economical systems. The sport development system in Taiwan differs from those in the West, systems driven by the private sector or by non-profit organizations. It differs from China's system, one dominated by the government. In Taiwan, most people still believe that governments should be responsible for promoting sports.

Thus, the National Sports Council (NSC) under Executive Yuan of central government was established to integrate resources for promoting sports participation at all levels. NSC strives to achieve its goal by distributing financial resources to the National Governing Bodies (NGBs). This is done according to the popularity of the sport in general and the number of medals the players of the sport have won in international competition, such as the Summer Olympic Games or Asian Games. The NGBs could also receive funds from private companies but only for those sports that are popular in Taiwan, such as baseball and basketball. NGBs have the final say in deciding how to use the money from the government or sponsors. NGBs design their own plans to promote their sports in Taiwan. Although NGBs are under the jurisdiction of the central government, they work independently of the government. And for its part, the government would not interfere in the operation of NGBs since NGB's are "helping" the government promote and develop sports in Taiwan.

As noted by Morgan (2001), the national and institutional context set the rules of the game embedded in specific historically emergent social practices. Such practices include how capital is made available to entrepreneurs and firms. It includes the types of skills and knowledge possessed by managers and workers, as well as the mechanisms of

coordination and control utilized by managers. Taiwan's unique political and cultural systems have generated a unique sport development system. The two most powerful organizations in the system and which control most of resources are NGBs and the government. For managers in Taiwan's sport industry, it is logical to build and maintain *guanxi* with government and NGB officials. Doing so is key to acquiring a competitive advantage. Jason, the CEO of a sport marketing company, has decided, however, not to associate with such officials. This is because he is cognizant of the corruption and ineffectiveness of such a system. He wanted to create a new tennis development system by integrating resources from private sectors while receiving minimum support from the government and CTTA.

This case shows how an entrepreneur in Taiwan built and maintained *guanxi* with his shareholders to collect the necessary resources to create his own tennis development system. It was unavoidable, however, for Jason to negotiate with the CTTA and the government. When that moment arrived, Jason still had to play the game of *guanxi* with them. He had to consider the consequences of building *guanxi* with CTTA and borrowing some to negotiate with the city government. In Chinese society, it is now in fact embedded in the decision-making processes of most CEOs in to constantly thinking about whether or not to establish new *guanxi*, maintain existing *guanxi*, borrow *guanxi*, owe *renqing*, request *renqing*, and to lose *mianzi*. These decisions related to *guanxi* are just as important as asking whether one can make a profit or not?

## CONTEXTUAL THEMES

### Passions for Tennis and Sports

Jason's vision and passion for tennis in fact touched the hearts of a great many tennis enthusiasts. He attracted many passionate people who wanted to work with him. Infinite Sports stood in vivid contrast to the long-standing corrupt tennis development system operated by the government and CTTA. Most job applicants at Infinite Sports really loved tennis and wanted to devote themselves to its development in Taiwan. Mike, for example, joined the company because of his admiration of Jason's vision and of his ambition to promote tennis in Taiwan without support from the government. Mike could have found a job with better pay and benefits; he joined Infinite Sports to do something meaningful with his life. After three years, he left the company because he was frustrated with Jason's leadership style and how he treated his staff. Yet he continued to believe he made the right decision to join the Infinite Sports. He still believes Jason is doing the right thing.

Ben came to the company in 2009 with lots of passion for sports but left in 2012 right after the second exhibition. Ben holds the company record for most days worked without a day off—three months. This was when he was the only one in charge of the tennis shop at the Taichung Tennis Center. Ben left the company because he felt the company had taught him everything it could. Ben could not see a future career if he stayed with the company. Ben still loved participating in sports but he lost his passion for working for a sport marketing company.

Jason recognized he needed to recruit people with a passion for tennis. Passionate employees were usually more committed and more willing to sacrifice their personal time for the company. For work they like or find meaningful, people will work harder without additional incentives. However, a high level of passion and commitment usually comes

with a high level of expectation and emotional sensitivity. If a manager only takes passionate employees as a means to an end then the passion will easily sour into frustration. Thus, keeping these passionate employees motivated and satisfied should be more important than utilizing and exploiting their zeal for working in a sport marketing company. Monetary incentives might help but there could be better ways to keep passionate employees on fire. During the nine months I stayed at the company as a project manager, I found several incidents raised the staffs' excitement.

I proposed a weekly exercise break to let staff members and interns get out of the office an hour early on Thursdays. We would play some tennis at a high school nearby. This improved the office atmosphere. Everyone came to Infinite Sports for tennis. Giving them a chance to play tennis together helped the crew stay motivated.

Still, the passion could be extinguished by a simple policy. Usually staff members could participate in the Adidas Cups as long as they found coverage. Jason then announced that no staff members on duty could participate in the Adidas Cups. Naturally many staff members wanting to play were outraged. They refused to be part of the event staff. They wanted to play. In short, passion defies being controlled and managed. Understanding employees' desire and linking their passion with their jobs might be the best way to keep passionate employees fired up.

### ***Guanxi* and Organizational Culture Differences**

The last theme identified by thematic analysis is the difference in organizational culture and *guanxi* building. *Guanxi* is, undeniably, attached to a person. Nevertheless, the organizational culture that person belongs to also has substantial influence on building and maintaining business *guanxi*. The *guanxi* that really matters is the personal

*guanxi*. It is developed outside the business context but usually starts with business *guanxi*. The organizational culture serves as a boundary as well as guidelines of interactions between two individuals. For example, regulated procedures and rules must be followed when working with officials of governments or government-owned businesses. Sponsoring a sport event, for them, is similar to purchasing an item from a private business. For government officials the benefits of sponsoring should all be tangible and measurable. Anything intangible, say improving the city's image is merely a bonus. Maintaining and building *guanxi* with city government officials is tricky. Essentially, it depends on the attitude of the Mayor. Also, while maintaining *guanxi* with government officials, it is critical that one gives or saves their *mianzi*. They should be invited to the dinner party, toss the coin for the tennis event, present awards to the players after the matches. Building personal *guanxi* with government officials for a certain business could be dangerous. It is easily linked to corruption and scandals. Thus, borrowing *guanxi* from a third party to get closer to government official with power becomes an easier and safer way to make a connection.

Each private company that worked with Infinite Sports had a it own organizational culture. Coping with different organizational cultures could sometimes be challengeable. For example, Longines, one of the major event sponsors, is in the luxury industry. For them, sponsoring a tennis event is like hosting a fashion show. Media exposure was the only thing they cared about. Thus, the location of their banner in the venue, the size of their logo at the press conference and the numbers of news that mentioned their brand became the major issues during the negotiation process of sponsorship terms.



Negotiating sponsorship terms with Adidas was much more straightforward. After all, they are in the sport industry, too. Similar language and business logic were shared between two companies. Therefore, it is much easier to build personal *guanxi* with managers or owners of private companies, such as Aaron of Adidas, than it is with government officials. As mentioned, building personal *guanxi* upon business *guanxi* can generate greater trust. It eliminates any unanticipated uncertainty for future collaboration. In short, if stakeholder theorists consider the organizational culture differences, they might better understand the interactions between a focal organization and its stakeholders.

Conflicts caused by organizational culture differences and the coping process between the two different organizations could be interesting topics for further exploration. For managers, realizing organizational culture differences could help them more effectively negotiate and communicate with different stakeholders. Lastly, from a *guanxi* perspective, the organizational culture determines the way two organizations build, maintain, and advance their *guanxi*. The next section provides a general conclusion to this study as well as addresses its limitations. It also offers recommendations for future study.

This section provides an in-depth analysis that examines the influences of *guanxi*, *renqing*, and *mianzi* on the development of stakeholder theory. At a managerial level, the quality of *guanxi* could potentially affect the stakeholder salience of a manager by mediating or moderating the power, legitimacy, and urgency of a specific stakeholder. The development of *guanxi* could change a manager's "zone of acceptance" about a

stakeholder and vice versa. The existence of *guanxi* with a specific stakeholder will influence a manager's attitudes and actions towards that stakeholder.

At an organizational level, *guanxi*, *renqing*, and *mianzi* are embedded in the beliefs, values, and practices. All three are elements that have evolved for solving stakeholder-related problems and managing relationships with both external and internal stakeholders.

At the meso level, the quality of *guanxi* will determine the perception of fairness during the interactions between a focal organization and its stakeholders. *Guanxi* between two actors within a business network has a spillover effect to other actors within the network. Developed *guanxi* is attached to a person. It requires long-term commitment and maintenance. *Guanxi* is not transferable though it can be borrowed at the expense of owing *renqing* and losing *mianzi*.

At the macro level, the concepts of *guanxi*, *renqing*, *mianzi* have become a social practice. They constitute a practice embedded in the sociopolitical system in Chinese culture and determine how people interact with each other within the system.

As for the contextual themes, a sports-related company can always attract passionate and motivated employees. The challenge for managers in the sport industry is knowing how to maintain such passion and transform it into better performance. Also, the diverse organizational culture in which each stakeholder belongs to also determines how a manager builds and maintains *guanxi* with them.

The discussions above suggest that prevalent cultural artifact (i.e., *guanxi*, *renqing*, and *mianzi*) that embedded Chinese culture does indeed have, at various levels, a profound influence on stakeholder theory. In the next part of discussion, I will further

examine the current Western-developed Stakeholder Theory concepts, relationships among the constructs, and methods of implementation for similarities and differences in the Chinese cultural context.

## **GENERAL DISCUSSION**

Derived from Confucianism, *guanxi* is a cultural norm that is part of the DNA of Chinese society. Knowing and practicing *guanxi*, *renqing*, and *mianzi* is part of the learned behavior of being Chinese. The findings of this study show that *guanxi*, *renqing*, and *mianzi* have profound implications in stakeholder theory. However, a further examination on how, specifically, stakeholder theory operates differently in Chinese culture is still necessary. In this section, I will discuss how *guanxi*, *renqing*, and *mianzi* affect the way we understand stakeholder theory in Chinese culture. I examine three fundamental constructs—legitimacy, trust, and reciprocity—that are noted by stakeholder theorists and social capital theorist in Western society.

### ***Guanxi* and Legitimacy**

Legitimacy, as defined by Suchman (1995), is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions. Legitimacy is acquired if patterns of organizational practice comply with prevailing norms and beliefs within the wider social system (Scott, 1995; Scott & Meyer, 1983; Powell & DiMaggio, 1991). Legitimacy is a function of social context and bounded by cultural norms and behavior (Agle et al., 1999; Suchman, 1995).

Legitimacy has been identified as an important concept in stakeholder theory at various levels. At the managerial level, Mitchell et al. (1997) identified legitimacy as one

of three variables that determine stakeholder salience. Legitimacy is acquired if patterns of organizational practice comply with prevailing norms and beliefs within the wider social system (Scott, 1995; Scott & Meyer, 1983; Powell & DiMaggio, 1991). At the organizational level, Slack and Hinings (1992) also highlighted how the press of legitimacy from an institutional environment stimulated organizational change in an amateur sport organization. Lastly, at an inter-organizational level, Oliver (1990) noted that the establishment of inter-organizational relationships for the purposes of increasing legitimacy could originate from an organization's motives to demonstrate or improve its reputation, image, prestige, or congruence with prevailing norms in its institutional environment. Thus, legitimacy determines how managers recognize, cope, and interact with their stakeholders. The finding of this study reveals the effects of *guanxi* on legitimacy acquisition in Chinese society.

In the case of this study, building or borrowing *guanxi* served as the means to continually feeding the needs for legitimacy. Furthermore, this study also lays bare the challenges and costs of using *guanxi* as the means to acquire legitimacy. The dilemma of cooperating (or not) with CTTA illustrates the challenges of acquiring adequate legitimacy in order to negotiate with city governments. As the head of a new and small sport event organization in Taiwan, Jason recognized the importance of cooperating with city governments for critical resources for an up-coming event. He also knew that the only way to negotiate with a city government was through CTTA; a government body was prevented by the law from subsidizing a private company directly. Further, the existed *guanxi* with the new president of CTTA (a close friend of Jason's father) could facilitate the process of alliance with CTTA.

Gaining legitimacy by establishing an alliance with CCTA through *guanxi* could have facilitated the negotiation process with the city government in the short term. However, it could also have generated negative long-term impacts, including owing *renqing* and losing *mianzi*. Jason would owe large *renqing* to the president of CCTA if he co-hosted the event with CCTA; this would be due to the potential resources he would have received from the government through CCTA. In other words, Jason would not only need to pay a certain percentage of subsidy to CCTA as a “service” fee but would also have to pay back the *renqing* when CCTA needed his help in the future.

Moreover, Jason would have lost *mianzi* among his supporters had he cooperated with CCTA. This would have come about because of the disdain he had expressed of the corruptive system from the beginning. In a nutshell, if Jason got involved with CCTA, he might lose legitimacy among his supporters. This study then expands our understanding about both the positive and negative impacts of using *guanxi* to acquire legitimacy in Chinese society. While one might employ *guanxi* to facilitate the acquisition of legitimacy from certain stakeholders, one might, in that legitimacy-gaining act, lose legitimacy among other stakeholders.

This study also shows that success in the marketplace can be another source of acquiring legitimacy. To attract tennis participants for the Adidas Cup, Jason allied with Adidas, one of largest sporting goods companies in Taiwan, to acquire not only resources (prizes and products) but also legitimacy (brand name). Further, the success of the Adidas Cup and the international tennis events helped solidify the legitimacy of Infinite Sports in the sport industry. Several international sporting apparel companies that used to work with CCTA switched to Infinite Sports. Furthermore, some sports organizations also

contacted Jason to see if he was interested in hosting other events, such as basketball and baseball. Jason tried to establish his own legitimacy for Infinite Sports outside of CTTA as well as KEEC in the tennis event industry by hosting high quality tennis events and tournaments. Jason's decisions, however, created a conflict of legitimacy and potentially transformed CTTA from being a supporter of Infinite Sports into a competitor.

To sum up, legitimacy is a perception or assumption; it represents a reaction of observers to the organizations as they see them. Thus, legitimacy is possessed objectively yet created subjectively, for example through *guanxi* in Chinese society (Carlisle & Lynn, 2005). Further, legitimacy may come via *guanxi* because of the nature of Chinese traditional society, not merely in order to bequeath a gift to another but to establish a necessarily deeper connection among the people in a business relationship. While an individual/organization gains and maintains some legitimacy through *guanxi* to create useful social capital, this social capital increasingly legitimizes the organization. This is especially salient for newer and smaller organizations because it increases their likelihood of survival (Carlisle & Lynn, 2005). What also should be recognized are the negative impacts of employing *guanxi* for legitimacy acquisition. The hidden costs include owing *renqing*, losing *mianzi*, and potential legitimacy conflicts. Such costs could, in the long run, hinder a manager from building or acquiring legitimacy.

### ***Guanxi* and Trust**

Trust embedded in social networks has been discussed as a crucial construct of social capital in the West. However, researchers interested in business practices in Chinese cultures have accounted for the use of *guanxi* in Chinese culture as reliance on personal bonds to protect against defection (e.g., Nee, 1992; Redding, 1990). In other

words, *guanxi* engenders trust that serves as a form of insurance in an otherwise risky business environment (Chua & Morris, 2006). Trust, as a Confucian value, is regarded as a norm in interpersonal relations. The Confucian society is a relation-based one characterized by family collectivism. Family is considered to be the core unit of both economic and social life and serves as a model for structuring social collectives. In a tradition that entails despotism, individuals can count on only family for economic resources and help (Chua & Morris, 2006). Further, one raised in a Confucian society is taught the amount and types of obligations that exist in given relationships.

Thus, Chinese tend to approach social relations in a highly relation-specific manner (Chen, Meindl, & Chen, 2003). Similarly, the trust embedded in interpersonal relationships is also particularistic and depends on the kind of relationships that exists between two individuals (Chua & Morris, 2006). Thus, trust, so deeply embedded in *guanxi*, is personal and particularistic. Organizational trust is rather a misnomer. Trust is situated in the individual; where that individual goes, so goes that *guanxi*. The theme of the non-transferability of *guanxi* in the last section explained the immobile and personalized nature of trust and *guanxi*. Such non-transferability also confirms that trust in Chinese society is localized in personal connections and cannot be applied to the whole community or organization as noted in social capital theory.

How is *guanxi* distinct from Westerners' networking? It emphasizes individuals' social capital within their group of friends, relatives, and close associates. It does not extend such capital to the organizations or larger communities they belong to. Thus, the existence of an intermediary (Graham & Lam, 2003) is vital to gaining even initial admission or introduction to connections (Chen & Chen, 2004). In Western practice,

interlocutors tend to trust each other until or unless given reason not to. When such trust is abused, there are remedies available through the courts and tribunals that more or less impartially apply torts or legislation designed to address contingencies of fraud or broken contracts.

In China, however, suspicion and distrust characterize all meetings with strangers. Remedy through litigation is less readily available especially when court officials will favor those who having relationships with them (Huang & Wang, 2011). For instance, rather than negotiate with the city government through CTTA, Jason decided to push his application of governmental subsidy by asking a city councilor for help. Jason believed that the personal *guanxi* of the city councilor with government officers could help him lobby his application.. Although the lobbying fell through, it shows the importance and of an intermediary when a private business needs to negotiate with a huge government bureaucracy. Furthermore, the hiring of an intermediary also reflected the distrust of the procedural fairness of legal and governmental systems in Chinese society. The old adage rings true here—who you know is more important than what you know.

Electing to not write up formalized contracts between Jason and Aaron as well as Jason and Cherry also shows the reliance on interpersonal trust and the distrust of legal protection in Chinese society. As noted by Thorelli (1990), in Chinese cultures the need is often negated to have formalized contracts; in fact, establishing formal contracts is considered a sign of distrust. The informal contract or merely oral agreement signifies high trust between two actors in a *guanxi* network and it facilitates the process of a business deal. Nevertheless, as a deal goes through, it also generates some problems. For example, a lot of business-related agreements are only between Jason and Aaron. When



Jason assigned these tasks to staff members, it was hard for staff to follow up and implement the assignments; indeed, there were no formal contracts or guidelines for reference. Further, the interpretation and understanding of informal agreements could vary between Jason and Aaron. Constant vertical (within the organization) and horizontal (between organizations) communications became a crucial factor in implementing the contracts or agreements.

### ***Guanxi* and Reciprocity**

Inherent in the development and maintenance of *guanxi* a key Chinese cultural value is *renqing* (Wu, 1994). China's notion of *renqing* is similar to reciprocity. In Western culture, reciprocity is a crucial factor of relationship development. It involves identical or equal exchange of benefits. However, *renqing* in Chinese culture involves an unequal exchange, what Americans would characterize as "exploitation" (Goulder, 1960). *Renqing* would look familiar to a Westerner when an exchange takes place only if both parties benefit.

Unlike in the West, however, there is no expectation for reciprocation to be equal (Pye, 1986). According to Chen and Chen (2004), *renqing* partly belongs to an emotional investment rather than a purely economic one. Hence, the return is expected but not guaranteed. In addition, the return will not be immediately fulfilled at the same value. This is due to the asymmetry that may render some obligation or indebtedness and then promote in the long run the development of a personal relationship. In short, *renqing* can be seen as a special form of reciprocity that is inherent in the development and maintenance of *guanxi* in Chinese society. *Renqing* is not an equivalent exchange of favors and requires long-term expectations. For instance, one of the reasons that Jason

was reluctant to cooperate with CTTA was the *renqing* he might owe. Jason knew that he might have to pay back bigger *renqing* in the future. In the interim before Jason had paid the *renqing* back, he would lose his bargaining power when negotiating with CTTA.

To achieve, in Chinese society, effective *guanxi* and generate the necessary *renqing* another crucial element is *mianzi*. In Chinese business culture, *mianzi* (saving face) is the foundation on which a person's reputation and social status rest. Once immersed in a network, one maintains *mianzi* by exchanging *renqing*. Saving *mianzi* is critical during business negotiations in Chinese culture. A negotiation will never succeed if a representative of one side causes embarrasses a representative from the other. The embarrassed interlocutor is left no path by which he or she could interact with dignity (Graham & Lam, 2003, Ho & Redfern, 2010). Further, failure to follow the rules of *renqing* in a *guanxi*-based relationship leads to loss of *mianzi* (Luo & Chen, 1996). Such loss could ultimately cause intolerable degradation and possible dissolution of *guanxi* relationships. Recall Jason exposing to the media his difficulty negotiating with Taipei City Government. In so doing, he damaged his *guanxi* with the government by making them lose *mianzi*. It complicated future negotiations with Taipei City Government. Jason used the same strategy when negotiating with TAU. Because of the special *guanxi* between KEEC and TAU, Jason had no choice but tell the media about the negotiations in order to push TAU into making a fairer decision. However, the action also let TAU lost *mianzi* in front of the media and changed the quality of *guanxi* between TAU and Jason.

The finding of this study also shows the evolution of *guanxi*. As trust and reciprocity can be built between two individuals, a pure business *guanxi* can be advanced

to a friend-type *guanxi*. The next level would be to move to the deeper and stronger brother-type *guanxi*. As discussed in the theme of *guanxi* and stakeholder orientation, I used the case of Jason and Aaron to illustrate how their *guanxi* was developed from business *guanxi* to friend *guanxi* and then partner/brother *guanxi*. Their moral perspectives also moved from self-regarding to other-regarding and, eventually to mutual interests. Although the *guanxi* between Jason and Aaron advanced, such an evolution does not guarantee that mutual interests will happen. When another actor with stronger *guanxi* is involved, the interests of the actor with weaker *guanxi* are usually ignored along with the compensation of owing *renqing*. For example, when there was a conflict of interest between Jason and the local tennis star, Randy, Aaron was confronted with sacrificing his *guanxi* with Jason to retain the more valuable *guanxi* with Randy. The evolution of *guanxi* indicates that *guanxi* is a dynamic concept that can be upgraded or downgraded depending on the efforts invested.

In sum, in the first part this section I first discussed how *guanxi* affects the fundamental concepts (e.g., stakeholder salience, stakeholder orientation, managerial discretion, and stakeholder interactions) of stakeholder theory at various level. And in the second part of this section, I further examined how the cultural artifact of *guanxi* change the way we understand legitimacy, trust, and reciprocity in Chinese culture. In the next section, I conclude by going over the contributions to stakeholder theory, event management, and research method this study has made. Also provided in next section are the limitations of this study and recommendations for future studies.

## **Chapter 6: Conclusion**

Based on the findings and analysis provided previously, contributions of this study on the development of stakeholder theory, event management as well as the advantage of ethnographic approach will be brought out in the first part of this section. Further, limitations of this study and recommendations for future study are provided in the second part of this section.

### **CONTRIBUTIONS ON STAKEHOLDER THEORY DEVELOPMENT**

By employing an ethnographic approach this study strives to understand the role of national culture in stakeholder theory. The results suggest that national culture does indeed have, at various levels, a profound influence on stakeholder theory. This study contributes in several ways to the development of stakeholder theory. First, we are able to examine the fundamental assumptions and concepts of stakeholder theory from different cultural perspectives. In Chinese culture, the quality of *guanxi* could have substantial influence on stakeholder salience, modify the “zone of acceptance” managerial discretion, or change a manager’s attitudes and actions towards stakeholders. Further, the quality of *guanxi* could shift the moral tensions of stakeholder culture and serve as a building block of organizational culture. Therefore, based on the assumption of bounded self-interest, *guanxi* could be a crucial nonmaterial compensation that determines the fairness of interactions between a firm and its stakeholders. Lastly, managers need to know the rules and play the game of *guanxi* embedded in the socioeconomic system of Chinese culture.

The cultural artifact of *guanxi* also affects the way we understand the legitimacy that determines how a manager recognizes, copes, and interacts with stakeholders. By considering the building of *guanxi* as the means to continually feed the needs for legitimacy, we could re-conceptualize stakeholder salience in Chinese society. If legitimacy, power, and urgency are three variables that decide the way a manager prioritizes stakeholders' claims, then *guanxi* should be considered another critical variable that determines the accessibility and availability of a potential stakeholder. The negative impacts of using *guanxi* for legitimacy acquisition must not be overlooked; these impacts include owing *renqing*, losing *mianzi*, and arising of legitimacy conflicts.

From a perspective of social capital developed in Western society, this study examined the fundamental concepts of networking, trust, and reciprocity that decide the way managers recognize, prioritize and interact with their stakeholders in Chinese culture. Just as the locus of *guanxi* is restricted to interpersonal relationships, so trust and reciprocity embedded in *guanxi* should also be considered a localized concept that cannot be applied to the general community or society, as is proposed by social capital theorists. Therefore, building personal *guanxi* on business *guanxi* should be an ideal way of putting frosting on the cake of stakeholder relationships in Chinese culture. As *guanxi* evolves from friend-friend *guanxi* to brother-brother *guanxi*, the trust and reciprocity embedded in *guanxi* networks increase. Nevertheless, the obligations (*renqing*) and the anticipated respect (*mianzi*) associated with stronger *guanxi* is also expended. Thus, when considering stakeholder relationships in Chinese society we need to apprehend the particularistic nature of *guanxi* relationships as well as the trust and unbalanced

reciprocity within. Advancing *guanxi* with resourceful stakeholders by exchanging *renqing* and saving *mianzi* are the major tasks for managers in Chinese society.

Secondly, through the lens of stakeholder theory we are able to better examine China's crucial socioeconomic mechanism of *guanxi*, *renqing*, and *mianzi*. With the insights of *guanxi* we can better understand in a Chinese context the interactive behavior of managers with their stakeholders. Moreover, we are able to detect the influences of cross interactions among stakeholders on a focal manager. This finding advances the scope of the analysis of stakeholder theory from a two-way interaction between a manager and a stakeholder to a cross-interact dynamic system in which actors are all connected. The *guanxi* between the manager and one of the stakeholders could affect the *guanxi* between the manager and the other stakeholder. On the other hand, the *guanxi* between two stakeholders could affect the *guanxi* between the managers and each stakeholder involved. The interest of the firm is no longer at the center of the firm-stakeholder diagram. For CEOs in Chinese society, avoiding *guanxi* conflicts and leveraging *guanxi* synergy become one of their major tasks.

Thirdly, by examining the influences of national culture on managers' decision of stakeholders' interactions at different levels, it will be more reasonable to think the practice of stakeholder management as a continually evolving cycle rather than a simple managerial action. The stakeholder management cycle may include stakeholder identification, stakeholder prioritization, stakeholder engagement, and stakeholder evaluation. The whole cycle of stakeholder management should be executed periodically by the CEOs of a firm to adjust to the turbulent environment. Further, as indicated in this study, as more stakeholders are involved and deeper relationships among stakeholder are

developed, the cross interactions should be considered in all stages of stakeholder management cycle. For instance, the conflicts of interests among stakeholders should be recognized at the stage of stakeholder identification, should be considered at the stage of stakeholder prioritization, avoided at the stage of stakeholder engagement, and notified at the stage of stakeholder evaluation for future identification.

Furthermore, an ethnographic approach also allows us to explore the moral assumption of managers in Chinese society. Compared with the assumption of pure self-interest, the findings of this study indicate that the bounded self-interest assumption seems to better explain how, in Chinese culture, an entrepreneur establishes and manages relationships with stakeholders. Bounded self-interest assumes that actors' self-regarding behavior is bounded by the norm of fairness. In Chinese culture, however, *guanxi*, *renqing*, and *mianzi* serve as non-material compensation, which partially determines whether a behavior is fair or not. Further, two parties with bounded self-interest could, when certain conditions are met, reach the status of mutual-interest. According to the findings of this study, two parties could reach mutual-interest when they have a solid *guanxi* with trust and reciprocity between each and are willing to develop shared vision through continual dialogue. When mutual-interest is formed, two parties involved could integrate their resources more effectively and search for bigger opportunities.

This study allows us to refocus the influences of national culture on the development of stakeholder theory. As argued by Donaldson and Preston (1995), stakeholder theory is fundamentally and originally rooted in the norms, values, mores, and ethics that exist in both an organization and society at large. Thus, rather than taking national cultural as a constant variable, stakeholder theorists need to look at the role of

national culture in managerial decision making at multiple levels. The findings of this study provide empirical evidence affirming that norms, values, morals, and ethics rooted in a different national culture guide managers to decide “who” ought to be considered as stakeholders and what it is “right” or “wrong” to do in relation to stakeholders (Freeman, 1984; Donaldson & Preston, 1995; Freeman & Miles, 2006). More than recognizing the importance of national culture the analysis of this study further explores the way a manager identifies, prioritizes, and interacts with his stakeholders and the cultural relevance that salient to Chinese ( i.e., *guanxi*, *renqing*, and *mianzi*) at multiple levels.

Furthermore, with the consideration of national culture differences and their substantial influences on stakeholder development and implementation, we need to rethink the three problems that stakeholder theory strives to solve or re-conceptualize as noted by Freeman et al. (2010). According to Freeman et al. (2010), the first problem that stakeholder theory attempts to solve is the problem of value creation and trade: How can a business be understood against the backdrop of environmental turbulence? With the consideration of national culture differences, stakeholder theorists must first realize that the value that a business strives to create is culturally and socially constructed. The monetary perspective of value is appreciated universally. The non-monetary perspectives of value, however, could vary from culture to culture. For instance, the interactions among *guanxi*, *renqing*, and *mianzi* serve as a non-material compensation that determines the perception of fairness while managers negotiate and communicate with their stakeholders in Chinese society. Thus, before we use stakeholder theory to solve the problem of value creation and trade, we first need to understand what kinds of social and cultural values are attached to or separated from economical values that a business can



create in a society. Then we can further explore how these values are created and traded to survive against the backdrop of environmental turbulences caused by globalization.

The second problem that stakeholder theory strives to solve is the problem of ethics in capitalism: How can we understand both “business” and “ethics” so that we can put them together conceptually and practically? The concept of business ethics, as with the problem of value creation and trade above, is socially and culturally constructed. People in a different national culture have different notions about what a business should do for society. On the other hand, owners or managers of businesses in different national cultures have different notions about their responsibility to the society. For example, the bounded self-interest assumption explains—better than the pure self-interest assumption—how a manager interacts with his/her stakeholders in Chinese society.

Moreover, this study also indicates that the ethics of business is not the only type of ethics that stakeholder theorists need to consider. This is especially true when a manager, trying to acquire necessary resources, must negotiate or cooperate with actors from other sectors of society. For instance, compared to non-Western countries, China’s public sector and NGOs possess more resources and played bigger roles in sport development. Coping with the ethics of governments and NGOs is key to surviving much less prospering for a manager of any business in Chinese culture. Thus, before solving the second problem of the ethics of capitalism, we first need to realize that capitalism may not be the best way to explain the socioeconomic mechanisms in most non-Western countries. Although capitalism has been adopted by most countries around the world, it is understood and practiced differently based on each country’s social, cultural, political,

and economical system. Thus, the ethics associated with capitalism is culturally bounded. Moreover, the ethics of actors from other sectors should also be considered since they may play crucial roles in value creation and trade. Understanding the ethics of actors from other sectors helps a manager to know the boundaries and limits of further interactions.

The problem of the managerial mindset is the last problem waiting for stakeholder theorists to solve. Before we address it, we need to first understand the challenges that a manager faces when, on a routine basis, he mixes business and ethics to make decisions. Usually these challenges and the responses to these challenges vary culturally. For example, cooperating with a national tennis organization to receive their professional resources for an international tennis event should be a logical and reasonable decision to make. In the case of this study, however, it became an ethical decision because of the corrupt system the CEO might have to get involved in. Furthermore, the considerations of borrowing *guanxi*, owing *renqing* and losing *mianzi* became key factors in the CEO's final decision.

Similar situations presented themselves when the CEO negotiated with officers of city governments and TAU. Managers operating in Chinese culture regularly have to make decisions about building, maintaining, and terminating *guanxi* with a stakeholder. They must consider the consequences of owing or owning *renqing* and *mianzi*. Sometimes such decisions are pure business decisions; sometimes they are ethical. This is especially so when they involve governments or NGOs. However, the practices of *guanxi*, *renqing*, and *mianzi* have become a social mechanism that, for different purposes,

guide Chinese people in everyday interactions. From a *guanxi* perspective, business decisions appear to be inseparable from ethical decisions.

This resonates with the argument of the fallacy separation (Freeman et al., 2010). The fallacy separation believes that business and ethical decisions are integrated rather than separated. In other words, business decisions have some ethical content and vice versa (Harris & Freeman, 2008). Thus, to solve the problem of the managerial mindset of putting business and ethics together to make decisions on a routine basis, stakeholder theorists must first understand the challenges facing a manager vary culturally. Stakeholder theorists must also understand the level of ethics in any decision is determined by how a manager interacts with a stakeholder.

In short, this study contributes to stakeholder theory development by challenging, from a national culture perspective, its three basic mechanisms (Freeman et al., 2010). The interpretivist point of view assumes that “people socially and symbolically construct and sustain their own organizational realities” (Gioia & Pitre, 1990, p. 588). This study, coming from such a viewpoint, uses a normative approach to seek alternative and narrative accounts in a different national culture, a culture that guides business activities in more constructive ways by specifying what moral obligations stakeholder theory places on managers to their stakeholder (Clarkson, 1995). It also examines how a manager of a firm responds to stakeholder influences (Rowley, 1999).

#### **CONTRIBUTIONS ON SPORTS EVENT MANAGEMENT**

This paper responds to a need, as noted by Chalip (2004), for more empirical work on the factors that impede or facilitate event networking. This study provides an in-depth understanding of the relationship development, in a non-Western cultural context,

that goes into event leveraging. The ethnographic approach of this study shows how the CEO of an event organization interacts with his stakeholders. Its findings show that personal *guanxi* in Chinese society is a crucial factor influencing a manager's strategic selection of stakeholders. The stakeholders are the people with whom he initiates and fosters alliances to facilitate leveraging opportunities that can be mutually beneficial (Polonsky, 2001).

Strategic alliance literature notes that, once relationships have been established through networking, strategic activities such that develop interpersonal relationships (*guanxi*) to build trust, commitment, shared norms, and mutual benefits are key to enhancing the sustainability and health of a burgeoning alliance (Ahrned, Patterson, & Styles, 1999; Galaskiewicz & Wasserman, 1989). This study further identifies the social mechanism of building interpersonal relationships in Chinese context. The consideration of *guanxi*, *renqing*, and *mianzi* not only determine the way of interaction between managers and their stakeholders but also the synergy of the network performance.

So this study emphasizes building interpersonal *guanxi* among actors within an established network to facilitate future leveraging opportunities. It further indicates the effect of *guanxi* on the initiation of a stakeholder network. The presence of interpersonal *guanxi* acts as a screening process in selecting stakeholders. It provides minimum trust, reliability, and traceability before cooperation. Actors with *guanxi* enjoy the priority of joining the network while actors outside the *guanxi* loop strive to establish or borrow *guanxi* to join the network.

However, this study also points out the disadvantages of relying too heavily on *guanxi* for stakeholder selection. This type of reliance limits the pool of potential

stakeholders. It also hinders future interactions due to the consequences of owing *renqing* and losing *mianzi* as *guanxi* is involved. Event management and event leveraging have long recognized the importance of building and maintaining interpersonal relationships among the actors of an event network. This study further reveals that how interpersonal relationships are built and maintained varies from culture to culture. The cultural, social, political, and economic differences as they pertain to sports and sport events determine whom the influential stakeholders are that an event organizer needs to include and how an event organizer should interact with them to realize a desirable outcome.

#### **CONTRIBUTIONS OF ETHNOGRAPHIC APPROACH**

This study shows the strength of ethnography at generating cultural understandings through a representation of emic perspective (i.e., insider's point of view). Placing researchers at the heart of an investigation allows them to participate in the culture they are studying and to understand people's behavior on their own terms. Rather than imposing concepts or constructs from existing models or theories, ethnography emphasizes allowing critical meanings and categories to emerge from the ethnographic encounter. Besides generating new meanings and categories of a phenomenon in a specific culture, this study shows that ethnography could be useful in examining existing managerial theories in different national cultural settings. By reconstructing basic assumptions, constructs, and concepts of an existing theory in different cultural context, researchers could make the theory more culturally fit and correct. In other words, the validity and applicability of existing theories could be improved through cultural reconstruction. Conducting ethnographic studies on existing managerial theories in different cultural contexts could make those theories culturally

meaningful. They could, moreover, avoid cultural blindness when applying theories to different cultural contexts. For instance, applying stakeholder theory or conducting stakeholder management in Chinese culture without recognizing the influences of *guanxi*, *renqing*, and *mianzi* could be problematic or unrealistic. In short, if a theory is a statement of relations among concepts within a set of boundary assumptions and constrains (Bacharach, 1989) then values, beliefs, and habits in different national culture could substantially alter the relations among concepts as well as change the boundary assumptions and constrains. As noted by Bacharach (1989, p. 498), “ Yet if a theory is to be properly used or tested, the theorist’s implicit assumptions which form the boundaries of the theory must be understand.” The ethnographic approach focused on the influences of national culture in this study helps us to identify the boundary and limitations of stakeholder theory and then improve the applicability of the theory in different cultural settings.

## **LIMITATIONS**

Although applying ethnography could allowed us to examine the influence of national culture on the development of stakeholder theory several limitations of this study should be noted. First is the time constraint of conducting ethnographic studies. In this study, ten months of participant observation, thanks to the support of the CEO, seems adequate. With the CEO’s assistance, the investigator was able to not only make contact and interact with key informants but also sit in on all the decision-making processes. However, the time frame still limited the scope and depth of this ethnographic study because it created an image of the investigator playing a temporary role. Once informants

know the investigator will eventually leave them, they will be more reluctant to share their experiences and feelings.

The other limitation faced by the investigator is the conflicts of interest during participant observation. As the investigator gradually moved into the core of the decision-making process, it became harder to reach key informants who had conflicts of interest with the organization. For example, the investigator, as the manager, was able to participate in all internal meetings and had better access to interact with key informants inside the company, especially the CEO. However, the deep involvement with the company prevented me from interacting with some key informants in this study because of the conflicts of interests between two organizations, such as the officials of CTTA and the city government. Thus, this study shows that the level of involvement with informants could potentially determine the cultural boundary of an ethnographic study. Lastly, it is worthy to note the comprehensive influences of national culture on the development and application of stakeholder theory. This study tried to analyze the relevance of national culture on stakeholder theory at different levels. However, the influences of cultural should be taken as a continuous force that affects every perspectives of consideration.

#### **RECOMMENDATIONS FOR FUTURE STUDIES**

This study strives to examine the relevance of Chinese culture for the development and application of stakeholder theory. The results suggest that Chinese culture does affect the way managers recognize and interact with their stakeholders. Based on the current study, possible future research directions can be recommended. Researchers interested in theory building or theory justification could, through ethnography or other interpretive approaches, examine existing managerial theories by

reconstructing them in other non-Western cultures. For example, examining the influences of other non-Western cultures on the development and application of stakeholder theory could contribute to the cultural validation of stakeholder theory. Further, examining the cultural relevance for stakeholder theory in other relationship oriented society, such as Japan and Brazil, could allow us to have better understanding about the subtle differences in relationship development compared with Chinese culture.

Researchers interested in business in Chinese society could examine how other cultural factors—Confucianism or Taoism—affect stakeholder theory and stakeholder management. Researchers could explore the prevailing influence of *guanxi*, *renqing*, and *mianzi* in Chinese culture on other managerial theories developed in Western culture. For example, it would be interesting to know how Chinese culture affects theories on strategic alliance when interactions among *guanxi*, *renqing*, and *mianzi* are considered. Furthermore, for researchers interested in *guanxi*, it could be interesting to explore the full process of its formation, development, interaction, transformation and termination. In short, this study only provides a glimpse of the national culture influence on one specific managerial theory, (i.e., stakeholder theory). The goal of this ethnographic study was, through nine months of fieldwork, to provide a cultural interpretation, one that explained the interactions between a focal manager and his stakeholders at a Taiwanese start-up sport marketing company. Rather than generalizing, this study explored a social phenomenon within a specific cultural context. It attempted to complement an existing theory by offering different cultural perspectives. Before we draw any universal conclusion more studies will be needed.



This study has also provided sport management researchers an interesting case of creating a business model for sport development in the specific cultural context of Taiwan. In Taiwan, the habits of watching sports and participating in sports are still developing. Although sports population in Taiwan is growing gradually, playing sports is still been seen as a luxury activity for Taiwan's bourgeoisie or for students in physical education class. Further, paying money to watch sports is also seen as a luxury expense for most families in Taiwan. Most people still want to stay home to watch sports on TV. Some sports in Taiwan have become popular and have their own professional leagues, such as baseball and basketball. However, the corruption and scandals of the professional leagues, in addition to the competition from NBA and MLB, have made the Taiwanese less willing to purchase tickets to watch a less exciting or even fake game. The decline in professional sports in Taiwan has directly and indirectly influenced sports development in Taiwan. Fewer Taiwanese parents want their kids to play sports seriously or take playing sports as a possible career path for their kids because there is no market for athletes. Further, the bad image and limited exposure of professional leagues also prevents private companies from sponsoring or owning a sports team.

On the other hand, instead of stepping into this mess of professional sports by favoring specific private companies or teams the government focuses on its own sport development system working with NGBs to promote sport participation and support elite athletes. Nevertheless, this system is also ineffective and sometimes corrupt because of a lack of oversight and evaluation mechanisms. For the government, the number of medals won at international sporting events is the major indicator of how well the NGBs are performing. Therefore, most resources received from the government are dedicated to

elite athletes' development and rewards, not to mass participation. Even though some NGBs try to attract more people to participate the effect is limited because the lack of systematic planning or sports facilities. In Taiwan a vicious cycle of sport development is formed by the disconnect and conflict among governments, private companies, professional leagues, NGBs, players, parents, fans and sport participants. In this study, the CEO of a sport marketing company is trying to create his idea tennis development system in Taiwan. How to integrate resources effectively and transform a vicious cycle into a virtuous one could be an enormous challenge for him as well as an interesting topic for sport management and sport policy researchers.

Lastly, this study also identified another interesting topics that specific in sport industry for future exploration, such as the management of passionate employees. Companies in sport industry usually attract people who are enthusiastic about a specific sport or sports in general. These people are usually highly motivated, committed and mission-driven. They joined the company because of their passion for sports and sometimes share the visions of the companies they work for. Rather than merely taking it as a job these passionate employees strive to do something meaningful for their own life. However, higher level of expectation might lead to higher level of frustration if their desires cannot be satisfied or their passion is abused. Thus it is important to understand how managers in sport industry can keep their passionate employees motivated? How their passion for sports affect on their job performance? How their passion are created, maintained, transformed, amplified and diminished?

In conclusion, by conducting an ethnography study on a sport marketing company in Taiwan, this study attempted to perform a cultural configuration on the Western-

developed stakeholder theory. The results of this study suggest that Chinese culture could have a substantial influence on how CEOs recognize and interact with their stakeholders to collect necessary material and nonmaterial resources. This study reminds stakeholder theorists and stakeholder management practitioners to examine, before applying the theory to another cultural context, the influences of national culture. The core idea of stakeholder theory is to recognize influential stakeholders and manage the interactions with stakeholders in order to capture long-term competitive advantage. If so, the norms, beliefs, habits, and assumptions of a national culture would determine the way a manager recognizes and interacts with stakeholders.

## **Appendices**

### **APPENDIX 1: INTERVIEW GUIDE FRO EMPLOYEES**

1. Could you tell me how do you get this job?  
Prob. How do you know this company?  
Prob. How do you know the CEO?  
Prob. How was the atmosphere in the office?  
Prob. How's your feeling when you first came to this company?  
Prob. Was it different from your expectation?
2. Tell me about what typically happens during your day working here?  
Prob. What was going on there?  
Prob. How do you deal with it?  
Prob. What are the steps that you take when you determine that a potential conflict might happen?  
Prob. It there anything you must know working in this company?  
Prob.
3. Tell me about what typically happens when you work with other organization or individuals?  
Prob. What was going on there?  
Prob. How do you deal with it?  
Prob. What are the steps that you take when you determine that a potential conflict might happen?  
Prob. Will you differently to avoid the conflicts?

## **APPENDIX 2: INTERVIEW GUIDE FOR THE CEO**

1. Could you tell me why did you start this company?  
Prob. Could you tell me more about your vision of this company?  
Prob. What are your opinions about current Taiwan tennis development system?  
Prob. Could tell me any challenges you faced?  
Prob. How do you overcome with those challenges?  
Prob. Would you do anything differently if you start again?
2. Tell me who are the important companies or individuals when you first started this company?  
Prob. Why are they important?  
Prob. How do you know them?  
Prob. How is your experience working with them?
3. Tell me who are the important companies or individuals when you hosted the exhibition event?  
Prob. Why are they important?  
Prob. How do you know them?  
Prob. How is your experience working with them?
4. What's the impact of the event brought to the company?  
Prob. Will you do anything different for the next event?
5. What's the impact of the event brought to the Taiwan tennis industry?  
Prob. How do you generate more positive impact next time?
6. How do you recruit your team for the company?  
Prob. Will you do it differently after the event? If yes, why?

### **APPENDIX 3: INDEX OF NAMES AND POSITIONS**

Jason - The CEO of Infinite Sports, Inc  
Andy – The Operation Manager of Infinite Sports, Inc  
Mary – The Operation Assistant of Infinite Sports, Inc  
Larry – The investor of Infinite Sports, Inc  
Rebecca – The PR Manager of Infinite Sports, Inc  
Mike – PR staff of Infinite Sports, Inc  
Emily – PR staff of Infinite Sports, Inc  
Allan – Jason’s cousin, The International Affairs Manager of Infinite Sports, Inc  
Lin - Marketing Manager of Infinite Sports, Inc  
Yuki – Marketing staff of Infinite Sports, Inc  
Ben – Marketing staff of Infinite Sports, Inc  
May – Sales Manager of Infinite Sports, Inc  
Sandy - Sales staff of Infinite Sports, Inc  
Mr. Chung and Mr. Liu – Professional Coaches of Infinite Sports, Inc  
Mr. Yang – Senior Facility Maintenance Staff of Infinite Sports, Inc  
Mr. Wu – Facility Maintenance Staff of Infinite Sports, Inc  
Heidi – Jason’s friend, Financial Consultant of Infinite Sports, Inc  
Hebe – Jason’s friend, PR specialist of Infinite Sports, Inc  
Susan – The CEO of YEF  
Sherry – The VP of Longines  
Aaron – The Marketing Manager of adidas  
John – The CEO of FunP

Randy – The famous local professional tennis players

Randolph – The coach and agent of Randy

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